



Annual Report
2021
MBB SE, Berlin

MBB in figures

Financial year	2021	2020	Δ 2021 / 2020
Earnings figures (adjusted*)			
	€k	€k	%
Revenue	680,329	689,242	-1.3
Operating performance	681,723	686,775	-0.7
Total performance	706,412	713,046	-0.9
Cost of materials	-369,348	-366,020	0.9
Staff costs	-206,328	-203,316	1.5
EBITDA	79,574	85,725	-7.2
<i>EBITDA margin</i>	<i>11.7%</i>	<i>12.5%</i>	
EBIT	46,868	56,157	-16.5
<i>EBIT margin</i>	<i>6.9%</i>	<i>8.2%</i>	
EBT	40,659	49,009	-17.0
<i>EBT margin</i>	<i>6.0%</i>	<i>7.1%</i>	
Consolidated net profit after non-controlling interests	11,691	21,726	-46.2
eps in €	1.98	3.66	-46.0
Average number of shares in circulation	5,912	5,934	-0.4
Earnings figures (IFRS)			
	€k	€k	%
EBITDA	55,897	69,972	-20.1
Consolidated net profit	-11,570	12,685	-191.2
eps in €	-1.96	2.14	-191.6
Figures from the statement of financial position (IFRS)			
	31-Dec €k	31-Dec €k	%
Non-current assets	483,383	369,747	30.7
Current assets	668,937	432,920	54.5
thereof liquid funds**	622,503	330,165	88.5
Issued capital (share capital)	5,847	5,932	-1.4
Other equity	802,632	493,760	62.6
Total equity	808,479	499,692	61.8
<i>Equity ratio</i>	<i>70.2%</i>	<i>62.3%</i>	
Non-current liabilities	125,447	121,001	3.7
Current liabilities	218,394	181,974	20.0
Total assets	1,152,320	802,667	43.6
Net cash (+) or net debt (-)**	534,563	252,567	111.7
Employees			
	3,541	3,457	2.4

* For details of adjustments please see the information on results of operations, financial position and net assets in the combined management and Group management report.

** This figure includes the value of physical gold stocks and securities.

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Welcome Note from the Executive Management

DEAR SHAREHOLDERS,

in an environment that was not exactly without challenges, MBB once more developed very well in 2021. With Friedrich Vorwerk, we successfully brought our third subsidiary public. The €272.3 million net proceeds from the IPO provide the MBB Group with new growth opportunities. Including MBB SE itself, our Group now comprises four listed companies. MBB's capital market expertise for SMEs has thus become another unique feature in the German, and perhaps even the European, market for corporate successions.

Of course, IPOs are not an end in themselves. The stock market listing of MBB and its subsidiaries on the one hand gives us valuable visibility as a group but also ensures the highest standards of transparency and professionalism on the other. Thanks to the listing, our subsidiaries can pursue ambitious growth targets. Friedrich Vorwerk is using the capital from its IPO to play a significant role in the European energy transition. Thanks to the capital from the IPO and the subsequent acquisition, Aumann has overcome two challenging years for the automotive industry and is experiencing a fabulous comeback. Delignit now plays a leading role in the use of sustainable materials in commercial vehicles, thanks to its stock market listing.

MBB's capital market orientation thus combines well with another of our Group's key values: our long-term focus. Even though our subsidiaries gain independent access to equity capital through their stock market listing, MBB can benefit from their development in the long term. MBB is the largest shareholder in all listed subsidiaries and intends to remain so. Ideally, we will succeed in increasing the visibility of a subsidiary through its IPO, providing the company with sufficient capital for future growth and at the same time benefit from the company's further development as its largest shareholder.

The value-creating combination of capital market presence, long-term perspective and the DNA of a family business does not go unnoticed by those who are thinking about selling their company. We are therefore confident that our positioning will continue to convince owners, managers and employees to become part of the MBB Group in the future.

Operating performance

In 2021, revenues of the MBB Group were just below the previous year at €680.3 million. At 11.7%, the adjusted EBITDA margin was nevertheless at the upper end of what we had forecast a year ago. In almost all of MBB's subsidiaries, demand exceeded revenue in the past financial year.

In the **Service & Infrastructure** segment, Friedrich Vorwerk, which specialises in energy infrastructure, was not quite able to match the successful previous year's revenue of €279.1 million, as unfavourable weather conditions in the first quarter and a project delay in Denmark slowed growth. However, with an improved EBITDA margin of 20.6 %, profitability once again demonstrated the company's excellent positioning. After a very successful first half of 2021, the IT security provider DTS could not fully meet the strong market demand during the rest of the year due to the chip shortage. Nevertheless, the company grew by around 5% with high profitability and started the current financial year with a record order backlog.

In the **Technological Applications** segment, revenues of e-mobility specialist Aumann of €161.1 million were down 7% on the previous year, while the company was able to increase its order intake by 50% year-on-year to €236.6 million. The company thus expects a strong increase in revenue to over € 200 million and an EBITDA margin of 4 to 5 % for the 2022 financial year. Despite supply bottlenecks in the automotive industry, Delignit was able to increase its revenues by 16.5 % to € 68.3 million and achieved an EBITDA margin of 8 %, which would have been significantly higher without the unplanned production interruptions by automotive customers. OBO was able to increase its revenue by more than 27 % in 2021, thus returning to its growth trajectory after the COVID-19 pandemic.

The **Consumer Goods** segment was still feeling the effects of contact restrictions, particularly at the beginning of the last financial year. For example, Hanke, which specialises in tissue products, felt the weaker demand from the hospitality industry and the mattress manufacturer CT Formpolster felt the restrictions in the furniture industry. Together, both companies achieved revenues of € 71.8 million, which corresponds to a slight decline of 3.4 % compared to the previous year. The EBITDA margin fell to 8 %, mainly due to the increase in raw material prices and the delay in passing these prices on to customers.

Macroeconomic challenges

Looking at the macroeconomic environment, it seems our world is becoming more complex by the day. In the last two years, many of our social, political and economic norms have been turned upside down. As COVID-19 seemed to finally become manageable, supply shortages kept us in suspense. Now, with the war in Ukraine, geopolitical instability, a humanitarian catastrophe in the middle of Europe and skyrocketing energy prices have become part of reality. All of this is happening against the backdrop of high inflation, which is limiting central banks' ability to act. As MBB, we naturally do not want to be driven by these circumstances, but strive to recognise the risks as well as the opportunities associated with them early on. In the following, we highlight what we consider to be the most relevant factors of uncertainty and their probable impact on the MBB Group.

COVID-19 once again kept the world on its toes in the past financial year. While in the first quarter of 2021, lockdowns were still the only, albeit very expensive, weapon against the virus, we were able to keep it at bay with the help of vaccines over the course of the year. In the Western world, COVID-19 now seems to have lost some of its terror. It however remains to be seen whether further nationwide lockdowns will take place in China. In Europe, concerns about knock-on effects dominate, above all supply bottlenecks as well as inflation. Although the MBB Group was not spared from COVID-19, the pandemic did not trigger any major distortions. The Service & Infrastructure segment proved to be particularly robust and was hardly affected by the pandemic. In the Technological Applications segment, the plant closures of car manufacturers impacted especially 2020 with a decline in order intake and sales. In the Consumer Goods segment, the consequences of the lockdowns in gastronomy and retail were noticeable on the sales and earnings side.

Supply chains have come under pressure in many places as a result of COVID-19. The semiconductor industry was hit particularly hard. After numerous car manufacturers cancelled their chip orders at the beginning of COVID-19, the electronics industry jumped in and ordered more chips for entertainment and home office products that were booming thanks to COVID-19. Then suddenly the automotive industry picked up again and chip manufacturers could no longer meet the now increased demand. According to a survey by the ifo Institute, in January 2022 around 67% of German companies complained of problems with the procurement of preliminary products and raw materials. Hopes that the situation will improve quickly are currently fading in light of the war in Ukraine and lockdowns in China. Within MBB, DTS and Delignit in particular have been affected by supply bottlenecks. Since mid-2021, DTS at times had to wait months for IT security hardware from its suppliers, which led to temporary postponements of customer projects. Delignit has also been suffering from supply bottlenecks as its customers had multiple interruptions in production. Other MBB companies have also experienced sporadic supply chain problems, although these could be compensated thus far.

The **war in Ukraine** has brought back a concern that had almost been overcome. The concern for peace and geopolitical stability. It was hardly imaginable that Russia would launch a large-scale war of aggression on European soil and thus cause a humanitarian catastrophe of unimaginable proportions. Restoring peace and taking care of Ukrainian refugees has thus become what is probably Europe's most important task at present. The sanctions against Russia are indispensable in order to increase the costs of the war for the aggressor. After four weeks of war, it seems difficult for the Russian side to capture further areas of Ukraine. Although the next phase of the war is difficult to predict, there is currently little to suggest a quick end to the conflict. Within MBB, OBO was the only company to regularly generate minor sales with Russian customers. Delignit purchased some of its timber from Russia until the war in Ukraine. Beyond that, we are not aware of any relevant business relationships with Russia within the MBB Group. On the other hand, the conflict has suddenly made the topic of IT security more acutely relevant, which should lead to an additional and sustained boost in demand for our IT security specialist DTS.

Energy supply was a weak point of German industrial policy even before the Ukraine war. Even though the expansion of renewable energies is progressing, the shutdown of nuclear and coal-fired power plants has made us even more dependent on Russian gas. The long-term solution is clear: Germany must implement the energy transition. But in the short term, we will find it difficult to decouple ourselves from gas and its price. Having already had to cope with a steep increase of energy costs since the end of 2021, a further increase is likely. Within the MBB Group, this will hit the more energy-intensive companies hardest, above all Hanke, which manufactures tissue products in Poland. Although we assume that the higher energy costs can be passed on to customers, it will probably take time and thus impact profitability, at least in the short term. Friedrich Vorwerk, on the other hand, could make a contribution to reducing dependence on Russian gas. Friedrich Vorwerk's technological expertise could become key for the realisation of LNG terminals, which are now needed more urgently than ever. If floating LNG terminals were to be installed in the short term, for example in Wilhelmshaven, a connection to the existing high-pressure gas grid would have to be made as quickly as possible - another speciality of Friedrich Vorwerk.

The **inflation rate** in the euro area rose to 5.8% in February 2022, the highest level since the introduction of the euro. There is no secret as to how this inflation developed, only the contribution of the individual

causes is debatable. What is clear however is that fiscal and especially monetary policy measures in the fight against the effects of the COVID-19 pandemic are having a major impact. Likewise, the disruptions in supply chains described above are contributing to significant inflation. Rising energy and commodity prices as a result of the war in Ukraine are also a key factor. All in all, it can at least be said that in view of the inflation targets issued and the inflation actually measured, the central banks' room for manoeuvre is currently limited. This can become a problem in particular if one of the macroeconomic risks described above should lead to a significant cooling of the economy. For MBB, the effects of higher inflation have been manageable so far. All of our subsidiaries have strong market positions that allows us to pass wage and price increases on to our customers. Only the delay in passing these increases on may lead to a temporary impact on profitability. MBB's equity-strong balance sheet is a double-edged sword in the face of inflation. On the one hand, the non-inflation-protected part of our liquidity loses value. On the other hand, we are protected from rising interest rates, which strengthens MBB's relative position in the M&A market compared to investors who rely on high leverage.

The outlook

In our view, the signs are pointing to growth for most MBB companies in 2022. Aumann, Friedrich Vorwerk and DTS have each started the new year with very high order backlogs. This means that the outlook for MBB's three biggest growth drivers is extremely positive. Nevertheless, the macroeconomic uncertainties listed above can quickly override the positive outlook of an individual company. For the 2022 financial year, we have therefore published a conservative forecast of more than €740m in revenue with an EBITDA margin of over 10%.

We also consider the prospects for further acquisitions to be very good. The liquidity of the MBB Group increased by €292.3 million to €622.5 million in the last financial year, thanks in particular to the IPO of Friedrich Vorwerk. Net liquidity thus grew to €534.6 million, of which €401.2 million was attributable to the holding company MBB SE. This means that sufficient funds are available for add-on and stand-alone acquisitions. Hence we are confident that we will be able to continue the MBB success story and expand our Group further through both organic and inorganic growth.

We would be pleased if you continued to accompany us on this path.

Berlin, March 31, 2022

The Executive Management of MBB

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer

Dr Christof Nesemeier
Executive Chairman

Report of the Board

In the year under review, the Board kept itself continuously informed about the business and strategic development of the Company and advised and monitored the Executive Management in accordance with the duties and responsibilities imposed on it by law and the Articles of Association as well as the provisions of the German Corporate Governance Code. The Board was thus informed about the strategy, business policy, planning, risk situation and the net assets, financial position and results of operations of the MBB Group at all times.

This took place both in personal discussions between members of the Board and with Executive Directors, through regular information from the Executive Management on the course of business, and in the course of the meetings of the Board held on April 14, June 8, September 15 and December 10, 2021, which were attended by all members of the Board and the Executive Management of the Company in person or by video conference.

During the individual meetings, the Board together with the Executive Directors analyzed the current business development and discussed the strategic direction. The discussions covered both the economic situation of the Company and that of the individual subsidiaries. Where individual transactions required the approval of the Board in accordance with the Articles of Association or statutory provisions, the Board examined them and resolved whether to grant their approval.

The main topics discussed and resolved by the Board in 2021 financial year were the IPO of Friedrich Vorwerk Group SE, the deliberations on the German Corporate Governance Code, the changes in the Executive Management and Board, the availability of raw materials and increased energy prices as well as the possible effects of the COVID-19 pandemic on the Group. Furthermore, the Board closely monitored the audit of the consolidated financial statements of MBB SE for the 2020 financial year. The Audit Committee was regularly informed about the payment and accounting process.

The Board implemented changes to the composition of the Executive Management and Board with effect from July 1, 2021 in the course of the Executive Directors' contracts expiring by rotation on June 30, 2021. Dr Constantin Mang is the new CEO (Chief Executive Officer) of MBB SE. Constantin Mang has been part of the MBB management team since 2014 and has been responsible for the M&A and Investor Relations business areas as CIO since 2018. As CEO, he is now also responsible for the Strategy, Finance and IT divisions. Klaus Seidel, MBB's previous COO (Chief Operating Officer), has not extended his contract, which expired on June 30, 2021, at his own request. In the future, he will help shape the strategic development of our subsidiary DTS IT AG as a member of the Supervisory Board. The Board would like to thank Klaus Seidel for 22 years of successful and dedicated service to the MBB family and looks forward to a continued cooperation with him in his new role. As the new Managing Director and COO of the Group, Dr Jakob Ammer will be responsible for the development of the subsidiaries and process optimization. Torben Teichler, who has been Vice President Treasury and Capital Allocation for MBB SE since 2017, has been appointed as a further Managing Director and CIO (Chief Investment Officer) of MBB SE and is now additionally responsible for Compliance and Legal divisions.

The previous CEO Dr Christof Nesemeier became Executive Chairman (Chairman of the Board and Managing Director) under the monistic corporate constitution. Gert-Maria Freimuth took on the position of Deputy Chairman of the Board and is Chairman of the Nomination Committee. Dr Peter Niggemann and Anton Breitkopf remain members of the Board, which was elected in its current composition by the 2020 Annual General Meeting for a five-year term. Anton Breitkopf is also Chairman of the Audit Committee of the Board. The Executive Directors were appointed uniformly for four years with a term ending on June 30, 2025.

In addition, the Board addressed the equal participation of women and men in management positions in the past financial year. Currently, both the Board of MBB SE (four members) and the Executive Directors (four members including the delegated member of the Board) consist of male persons. The Board and the Executive Directors expressly aim to increase the representation of women in management positions. The Board of MBB SE therefore resolved on April 14, 2021 to achieve a 20% share of women for members of the Board and the Executive Management in the medium term. Women currently make up 50% of the extended management level at MBB SE.

The Board also addressed the issue of corporate governance and the German Corporate Governance Code. The Board continuously monitored the further development of corporate governance standards. For instance, a Nomination Committee of the Board was elected for the first time at the Board meeting on April 14, 2021, which is also responsible for the remuneration of the Executive Directors. MBB SE largely complies with the recommendations of the German Corporate Governance Code. The only exceptions related to the publication deadlines recommended by the German Corporate Governance Code and the contract term for first-time appointments of Executive Directors. These exceptions are therefore listed and explained in the Declaration of Conformity of March 4, 2022, issued jointly with the Executive Management pursuant to Section 161 of the German Stock Corporation Act (AktG). From the financial year

2022, the Company will report within the time limits recommended by the German Corporate Governance Code. Consequently, the Board and Executive Directors have issued an updated declaration without deviations on March 31, 2022. These declarations are published on the Company's website at www.mbb.com, and the one dated March 4, 2022 is additionally included in the Annual Report.

The Board duly commissioned RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting as auditor, to audit the annual financial statements and the consolidated financial statements as well as the combined management report and Group management report for financial year 2021. The auditor has complied with the annual confirmation of independence to the Board and the auditor's case-related reporting obligation to the Board in accordance with the Stock Corporation Act. The declaration confirms that there are no professional, financial or other relationships between the auditor, its executive bodies and audit managers on the one hand and the Company and its executive body members on the other that could give rise to doubts about its independence.

The annual financial statements of MBB SE as at December 31, 2021 and the combined management report for MBB SE and the MBB Group were prepared in accordance with the principles of commercial law, while the consolidated financial statements as at December 31, 2021 were prepared in accordance with International Financial Reporting Standards (IFRSs). They were audited by RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting and appointed by the Chairman of the Board, and issued with an unqualified audit opinion dated March 31, 2022.

The Board examined the annual financial statements prepared by the Executive Management, the joint management report for MBB SE and the MBB Group, the proposal for the appropriation of profits and the consolidated financial statements and discussed them with the auditor at the meeting on March 31, 2022. Prior to the meeting, the Chairman of the Audit Committee discussed the results of the audit with the auditor. All questions raised by the Board were answered in full by the auditor. The Board received the auditors' report prior to the financial statements meeting. Based on the final results of the audit carried out by the Board, there are no objections to the annual financial statements, the management report and the consolidated financial statements. The consolidated financial statements were approved by the Board on March 31, 2022. The annual financial statements of MBB SE have been adopted.

The Board shares the assessment of the situation by the Executive Management in the combined management report and Group management report and concurs with the proposal of the Executive Management on the appropriation of net retained profits.

The Board would like to thank the Executive Management, the management of the subsidiaries and all employees of the MBB Group for their enormous commitment in these very uncertain times and the good results achieved in the past financial year.

Berlin, March 31, 2022

The Board

Dr Christof Nesemeier
Chairman

Combined Management Report and Group Management Report

MBB SE is a medium-sized family-owned company which, together with its subsidiaries, forms the MBB Group.

The separate financial statements of MBB SE were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB - German Commercial Code) and the Aktiengesetz (AktG - German Stock Corporation Act), while the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRS IC) on IFRSs as adopted by the European Union, and the additional requirements of German commercial law pursuant to section 315e (1) of the HGB.

In addition to the MBB Group (hereinafter also referred to as "the Group" or "MBB"), the combined management report also includes the parent company, MBB SE, which is domiciled in Berlin, Germany. It was prepared in accordance with the provisions of the German Commercial Code (HGB) and German Accounting Standard (GAS) No. 20. The reporting on the position of the Group generally corresponds to the reporting of MBB SE. Supplementary disclosures on the annual financial statements of MBB SE are presented in the results of operations, financial position and net assets.

In many respects, 2021 was another record year in MBB's corporate history. The IPO and the capital increase of Friedrich Vorwerk Group SE generated gross proceeds of €306.0 million for the Group, which were offset by directly attributable costs of €33.7 million. The Group thus received net funds of €272.3 million from the IPO, doubling net liquidity to over half a billion euros and significantly strengthening the Group's equity base.

Adjusted MBB Group revenue amounted to €680.3 million in 2021, compared with €689.2 million in the previous year. Adjusted EBITDA amounted to €79.6 million (€55.9 million prior to adjustments), whereas Group earnings amounted to €11.7 million or €1.98 per share (before adjustments €-11.6 million or €-1.96 per share).

In the financial year, EBITDA was adjusted for non-recurring transactions amounting to €23.7 million. Thereof, €21.0 million was attributable to expenses in connection with the IPO of Friedrich Vorwerk Group SE. Further adjustments relate to personnel expenses of €2.0 million from the share option programs at MBB SE and Aumann AG.

In addition, depreciation and amortization of assets amounting to €4.2 million were adjusted, which were capitalized as part of purchase price allocations. Non-controlling interests and taxes on adjusted transactions amount to €-4.6 million.

As of December 31, 2021, net cash (cash and cash equivalents, current and non-current securities and physical gold holdings less bank and lease liabilities) amounted to €534.6 million (December 31, 2020: €252.6 million). In 2021, a basic dividend of €0.88 per share, which has again increased, plus a special dividend of €0.88 due to the successful IPO of Friedrich Vorwerk Group SE (or €10.4 million in total) was paid. As in previous years, investments in the growth of all subsidiaries continued unabated.

The MBB Group's equity increased from €499.7 million as of December 31, 2020 to €808.5 million, total assets increased by 43.6% to €1,152.3 million. The equity ratio rose accordingly from 62.3% to 70.2%. The increase in equity was mainly due to the IPO of Friedrich Vorwerk Group SE.

In view of the successful business year and the high level of net cash, the Board and Executive Directors will once again propose to the Annual General Meeting an increase in the basic dividend to 99 € cents per share plus a special dividend in the same amount, i.e. €1.98 per share in total. Dividends totaling €11.7 million will therefore be proposed to the Annual General Meeting.

For the financial year 2022, MBB's management expects revenue of at least €740 million with an adjusted EBITDA margin of more than 10%. MBB continues to believe that it is well positioned for the future, in particular thanks to its comfortable liquidity position.

Unless otherwise stated, all figures in this report refer to December 31, 2021 or the fiscal year from January 1 to December 31, 2021. Percentages and figures in this report may be subject to rounding differences.

For reasons of readability alone, we have refrained from using the masculine, feminine or other gender forms of expression simultaneously. All references to persons apply to all genders unless otherwise stated.

Business and economic conditions

Strategic orientation

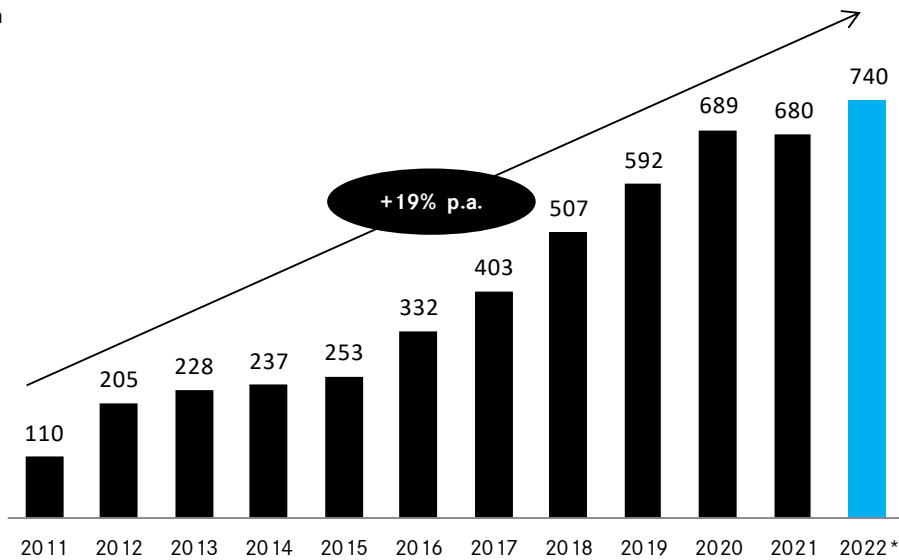
MBB SE is a medium-sized, family-owned company specialising in the acquisition and management of medium-sized companies with considerable technology and engineering expertise. MBB's extraordinary growth in revenue and value is based on six success factors:

Growth

Since its foundation, MBB has achieved above-average revenue and earnings growth. Calculated from the IPO in 2006, revenue grew by an average of 19% per year to a planned €740 million in the financial year 2022. MBB intends to continue to grow organically and by acquiring companies in the future.

Development of group-revenue

€ million



*Revenue forecast

Technological expertise

MBB stands for Messerschmitt-Bölkow-Blohm and is the only remaining independent company with this name to have emerged directly from the original MBB Group. In post-war Germany, MBB was synonymous with engineering. Bound by this tradition, our companies can boast expertise in their respective markets dating back several centuries in some cases. Today, too, we actively pursue superior technology expertise and believe that Germany offers conditions for achieving success on the global markets that cannot be found in any other location in the world.

Mittelstand

Our companies are organized in independent units of between around 100 and 1,600 employees and belong to the category of small and medium-sized enterprises (SME) in Germany known as the Mittelstand. Tradition, regional identity and a commitment to training, employees and the common good are key pillars of our actions. More than 26 years of first-class references for SME acquisitions are our calling card when searching for new subsidiaries.

Capital markets

MBB SE is listed in the Prime Standard of the Frankfurt Stock Exchange, meaning it meets the highest standards in terms of transparency and compliance. Thanks to 16 years of outstanding share price and dividend performance, MBB has not only reached a large group of international shareholders, but its attractiveness as an employer and business partner has also increased as a result. This means that our stock exchange listing provides the ideal conditions for our extraordinary growth plans.

Family-owned company

Gert-Maria Freimuth (Deputy Chairman of the Board) and Dr Christof Nesemeier (Executive Chairman) formed the company in 1995 and hold the majority of the share capital for the long term. We are confident that the personal commitment and continuity of its management team are key factors in its success, giving the company a clear sense of reliability and identity.

Sustainability

Sustainability and responsibility play a central role in MBB's corporate strategy. This is expressed not only in the long-term oriented holding periods of our invested capital, but also in our ongoing efforts to ensure compliance with ecological and social standards and values in all corporate decision-making and investment processes.

Market development

MBB's regional focus is on the German-speaking area. At the same time, MBB is increasingly enjoying an international presence thanks to its global markets and customers as well as foreign subsidiaries.

Macroeconomic environment

Following the pandemic-related recession in 2020 and the resulting 3.4% year-on-year decline in global gross domestic product (GDP), the global economy returned to the path of recovery in 2021 and achieved an annual GDP growth of 5.9%. Global economic stimulus programs, mainly in the European Union (EU) and the USA, a continuously low interest rate environment and a business market that have now adjusted to pandemic events ensured that the global upturn that began at the end of 2020 continued. Vaccines, which were approved in the first countries from December 2020 and rolled out globally, in some cases at a rapid pace, made a significant contribution to the positive economic development. The resulting easing of Corona restrictions in many places led to a revival of economic activity.

However, the almost simultaneous economic upswing worldwide posed substantial challenges for the industry globally. A rapidly rising demand curve and high order intake came up against international logistics chains that were still severely disrupted and production capacities that had been curtailed. The effects were felt in the form of widespread supply bottlenecks and in some cases massive spirals of inflation for numerous industrial precursors and raw materials. In particular, the global shortage of semiconductor products caused a significant slowdown in industrial production, especially in the automotive industry. The upturn in industrial production, which was already slowed by the bottleneck situation, was further dampened by the rapid spread of the delta variant of the COVID-19 virus from July 2021 and the omicron variant from December. The spread of the new virus variants led to a renewed drastic increase in the number of infections in many places and significantly impacted international maritime trade, particularly as a result of the containment measures in China. Taken together, these factors ensured that the recovery of the global economy lost momentum in the second half of the year despite a continuing positive demand situation.

The economy of the European Union also recovered at an unexpected pace in 2021 from the severe pandemic-related economic slump in 2020, although here, too, the pace of growth varied widely during the year. In the first quarter of 2021, the economy remained at the level of the fourth quarter of 2020. It was not until the second and third quarters that, with progress in vaccination and a gradual easing of contact restrictions, a clearly positive growth dynamic emerged, with rates of change of 2.1% and 2.2% respectively compared with the respective previous quarters. As a result, the European economy almost returned to pre-crisis levels. The fourth quarter was increasingly impacted by bottlenecks and disruptions in global supply chains, with the result that economic growth also slowed significantly here, with a rate of 0.4% compared with the previous quarter. For the year as a whole, Eurostat forecasts economic growth of 5.2% year-on-year for both the European Union and the euro zone. The rapid economic upturn and the associated shortages of resources and materials led to historically high inflation rates in the European Union, as in the other major economic areas. The annual inflation rate in the European Union was 5.3% in December 2021, up from 5.2% in November. A year earlier, it had been 0.3%. Energy prices experienced drastic increases over the course of the year and rose by an average of 26%, thus being the main contributor to the increase in inflation.

In Germany, GDP increased by 2.7% in 2021, following a decline of 4.6% in the previous year. This means that the pre-crisis level has not yet been reached again, despite an upturn in the economy. In addition to a contraction in economic output in the first quarter (-1.7% quarter-on-quarter), a key driver of the relatively low overall growth compared with the rest of Europe was a surprisingly weak fourth quarter (-0.7% quarter-on-quarter). The reasons for this were both the renewed restrictions in contact-intensive services necessitated by the increasing spread of the omicron virus variant and the ongoing production difficulties in industry due to persistent supply bottlenecks. In particular, the shortage of important precursors and raw materials severely slowed the economic upturn in Germany as an industrial location, despite very high order backlogs. According to surveys by the ifo Institute, almost 75% of the industrial companies

surveyed in November 2021 said they were affected by production restrictions due to shortages of raw materials and precursor materials. The continuing shortage situation and the sharp rise in energy prices also led to strong price pressure in Germany. Inflation reached 5.3% in December 2021, its highest level since June 1992, and averaged 3.1% for 2021 as a whole.

Industry-related environment

The submarkets relevant to MBB developed differently in the year under review.

Automotive

The automotive sector was significantly impacted by macroeconomic developments in the global economy and the continued growth of the e-mobility sector. In 2021, the majority of vehicles owned or sold worldwide were still powered by conventional power train systems with an internal combustion engine. Nevertheless, the electric boom continues unabated, as the contrasting development of registration figures for the various drive technologies shows. While conventional combustion engines experienced a mixed demand situation overall, alternative drive systems continued to gain market share in the three major markets of China, the USA and the European Union (EU). In the EU, the number of vehicles registered in 2021 fell by a total of 2.4% to 9.7 million units, according to figures from the Association of European Automobile Manufacturers (ACEA). While a low baseline due to Corona restrictions in the previous year supported the growth effect in the first half of 2021, the lack of availability of preliminary and intermediate products such as semiconductors slowed growth in the second half of the year. The largest markets in the EU show a clear regional discrepancy in new registrations. Italy (+ 5.5% to 1.5 million vehicles), Spain (+ 1.0% to 0.9 million) and France (+ 0.5% to 1.7 million) recorded positive growth rates. By contrast, the German automotive market contracted by 10.1% to 2.6 million newly registered vehicles in 2021. These skid marks were not observed in the electric passenger car segment. According to ACEA figures, 66.8% more electric passenger cars were registered in the EU than in 2020, or a total of 1.7 million new battery-powered vehicles, as measured by battery electric vehicles (BEVs) and plug-in hybrids (PHEVs). Germany also saw more new electric passenger cars registered during 2021, with registrations increasing by as much as 72.7% or 0.7 million vehicles. Almost one in five newly registered passenger cars in the EU was equipped with an electric drive, and in Germany even more than one in four.

The registration figures for light commercial vehicles in the European Union in 2021 showed significant growth of 8.5% year-on-year, with just under 1.6 million vehicles registered (previous year: 1.4 million), albeit the growth occurred from a relatively low starting point following a 17.6% year-on-year decline in registration figures in 2020 in the wake of the COVID 19 pandemic. The European markets for light commercial vehicles showed very different changes in 2021. While most of the major markets, such as France (+7.5%) and Italy (+ 14.7%), reported significant year-on-year increases in registration figures, other major markets, such as Spain (-4.0%) and Germany (-0.8%), recorded declining figures. Overall, a clear downward trend can be seen in the European Union over the course of the year. After very dynamic growth of 38.1% in registrations in the first half of 2021 compared with the same period of the previous year, the second half of the year showed a strongly negative development with a decline in registrations of -14.0% compared with the same period of the previous year. This was mainly due to the acute shortage of semiconductors and other intermediate products, which had a particularly strong impact on the light commercial vehicles segment and forced automakers to significantly curtail vehicle production in the second half of the year.

Registration figures in the German market fell by 0.8% year-on-year in the light commercial vehicles segment in the period from January to December 2021. Here too, following a strong first half (+23% year-on-year), registration figures fell sharply in the second half of the year (-18.5%), with the result that the German market posted slightly negative growth for the year as a whole.

The German Engineering Federation (VDMA) expects its companies to increase production in 2022, with production rising by 7% in real terms. By contrast, in the Corona crisis year 2020, production had decreased by just under 12%. Expectations for the development of the international automotive markets are also positive overall. The Association of European Automobile Manufacturers (ACEA) forecasts growth of 7.9% to 10.5 million vehicles in 2022, based on stabilization of the semiconductor supply. The car market in China is also expected to return to growth in 2022 according to the Chinese industry association China Passenger Car Association (PCA). The association recently raised its forecast for sales of electric vehicles from the previous 4.8 million vehicles to 5.5 million alternative drive vehicles sold in 2022. The US market is also lining up with positive expectations for 2022. The National Association of Automobile Dealers (NADA) expects new registrations to increase by 3.4% to around 15.4 million vehicles in 2022.

Information Technology

According to preliminary data from the German Association for Information Technology, Telecommunications and New Media (bitkom), the German IT market enjoyed another year of growth despite the pandemic. According to preliminary results, corporate spending on hardware, software and services for IT

security is expected to have risen by an above-average 9.7% to €6.2 billion in 2021. Further record growth of 9.9% is forecasted for 2022. IT security is becoming increasingly important for many companies. Expenditure on protection against cyber attacks is expected to continue to rise.

Energy infrastructure

The structural environment for energy supply continues to be characterized by an increasing demand for energy and the need to significantly reduce carbon dioxide emissions in order to curb ongoing climate change. The urgency of an accelerated energy turnaround has become clear at the latest since the 26th UN Climate Change Conference held in Glasgow in November 2021, at which the international community agreed for the first time to significantly tighten national efforts and climate targets against the backdrop of a foreseeable failure to meet the 1.5-degree target set under the Paris Agreement. The European Union already anticipated this development in June 2021 and manifested stricter climate protection targets in laws and regulations. As part of the EU Climate Change Act, the EU Commission for the first time laid down in law the targets defined as part of the Green Deal. Accordingly, greenhouse gas emissions are to be reduced by 55% by 2030 compared with 1990 levels, and Europe is to achieve climate neutrality by 2050. The German government has also further tightened its national climate protection targets with the amendment to the Climate Protection Act adopted in June 2021, bringing forward the greenhouse gas neutrality target previously set for 2050 to 2045.

Germany, like many other European countries, is continuing to focus on a number of key measures in the conversion of its national energy supply. One of these is the massive expansion and conversion of the existing natural gas infrastructure to ensure security of supply with electricity in the wake of the decision to phase out nuclear power and coal. Another important measure is the realization of "electricity highways" to distribute renewable (wind) energy from the generation sites in the north of Germany to the major consumer centers in the south of the country. In addition, significant efforts are being made to enable the large-scale production and transport of green hydrogen to decarbonize industry, mobility and buildings. Last but not least, Germany's district heating networks are being massively upgraded and rebuilt to sustainably reduce greenhouse gas emissions in the area of domestic heating. As a result of the considerable conversion measures in all areas, investment levels rose considerably in 2021. The German Association of Energy and Water Industries (BDEW) estimates that a total of €20.5 billion was invested by German companies in the energy industry in 2021, of which €15.4 billion was invested by companies in the power supply sector and €3.1 billion by companies in the gas supply sector. Investments in district heating/cooling supply have also shown continuous growth since 2016. This means that companies in the German electricity and gas sectors are among the biggest investors in Germany and make a significant contribution to economic growth and securing employment.

Energy companies are expected to continue investing heavily in 2022. BDEW estimates that the energy industry is one of the sectors with the highest level of investment in Germany, with more than €320 billion expected to flow into it by 2030. It forecasts that the sector will provide important economic stimulus, increasing value added in Germany by 0.6% per year. According to the network development plan, investment in the expansion of the electricity transmission network alone is expected to exceed €76 billion by 2035. The major north-south electricity highways for high-voltage direct-current transmission will play a particularly important role. The German gas transmission network is also to be expanded in the period up to 2030 with investments of around €9 billion. In addition to the gradual switch from low-calorific L-gas to higher-calorific H-gas, various international connection pipelines and LNG terminals in future are another focus of investment by transmission system operators in the gas sector. The hydrogen industry is currently experiencing a rapid increase in investment volumes, not only at the German level but particularly at the European level. This trend has continued at an unabated pace in 2021. To achieve the goals set out in the European Hydrogen Strategy, total investment volume is expected to increase to up to €430 billion by 2030. The realization of the almost 40,000 km long pan-European hydrogen backbone will likely cost up to €81 billion. In addition, the German government has envisaged a further €9 billion in subsidy amounts in its national hydrogen strategy.

Market position

Thanks to more than two decades of experience, MBB can offer references for a wide range of different scenarios for SME acquisitions, ranging from former family entrepreneurs and shareholders, managers, employee representatives, trade unions and banks to core customers and suppliers. Due to its experience, its network, its portfolio of companies enjoying profitable growth and its stock exchange listing, MBB SE is one of the leading industrial holding companies in the German SME sector.

Net cash of the MBB Group amounted to €534.6 million as of the balance sheet date, of which €401.2 million is attributable to the holding company MBB SE alone. With this liquidity position, MBB has a solid basis to lead the Group companies into the future. Together with the references mentioned above, the liquidity position also provides good conditions for inorganic growth. MBB's relative market position in

the acquisition of companies could even improve due to an increasing number of companies without succession solutions and rising interest rates for debt financing.

The diversification of the subsidiaries protects MBB from excessive dependence on individual industries. The acquisitions of Friedrich Vorwerk SE & Co. KG in July 2019 and Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH in December 2019, this diversification was further expanded with the entry into a new and promising market. Friedrich Vorwerk completed an IPO in March 2021, as part of which a capital increase was carried out and shares from the holdings of MBB SE were re-placed. MBB SE remains the largest shareholder of Friedrich Vorwerk with 36%. Friedrich Vorwerk will use the funds from the capital increase to finance its growth and has acquired two new companies, Korupp and Puhlmann, in 2021. MBB SE intends to use the funds it receives primarily for medium-term growth by acquiring new investee companies.

Past experience has shown that phases of weakness in certain sales markets are often accompanied by growth in others. The individual MBB companies are established SMEs, most of them leaders in their respective markets, and each characterized by a solid asset position.

Stock exchange listing

MBB SE has been listed on the stock exchange since 2006 and in the Prime Standard since 2008. The founders of MBB SE still hold the majority of the share capital of approximately 66% as at December 31, 2021, and thus ensure MBB's sustainable, medium-sized and entrepreneurial development.

MBB SE's share price performance was particularly positive in the past financial year: the XETRA closing price on December 31, 2021 was €137.80, around 27% higher than the previous year's closing price of €108.50.

Research and development

Innovation, as well as continuous further development of our products, production technologies and solutions, are central components of the corporate philosophy of all our subsidiaries.

For example, Aumann works very closely with customers to further develop and improve production facilities and ultimately the products manufactured with them. Great importance is attached to the development of innovative production solutions, digitalization and automation. The new and further development of technologies in the e-mobility segment represents an important strategic focus. In the last two years, new automation solutions have been developed here, particularly in the area of battery production. Aumann has also been active in the promising hydrogen segment for years and has, for example, developed a concept that can multiply the production speed of typical fuel cell stacks.

Friedrich Vorwerk's research and development activities, similar to those of Aumann, are project-based and in most cases carried out together with a customer in order to optimize an existing product or to develop new products and solutions for customer specific needs. Friedrich Vorwerk's research and development efforts are aimed at delivering innovations with high market acceptance, rapid adoption potential and far-reaching upgrade potential for existing infrastructures. To consolidate its position as a leading supplier of energy infrastructure, Friedrich Vorwerk is working on a number of new technologies such as hydrogen-compatible flow metering and control systems, special vortex piping systems, special near-surface HDD drilling methods, adapted biogas upgrading systems and hydrogen-compatible safety and control valves.

At DTS, the focus of R&D activities is on the development of proprietary software products in the area of IT security. In particular, the company's Network Access Control (NAC) solutions set standards in this area. In addition, DTS develops software products in the field of MDA, which are to be increasingly marketed in other European countries.

Similar to Friedrich Vorwerk, DTS and Aumann, we also pursue the continuous further development of products and production technologies in our other subsidiaries with the aim of achieving the greatest customer benefit possible.

Subsidiaries

MBB SE had seven direct subsidiaries at the end of the 2021 financial year. As these direct subsidiaries of MBB SE themselves each have subsidiaries and sub-subsidiaries, the consolidated group as of December 31, 2021 consisted of MBB SE and a total of 40 subsidiaries. The following section lists these companies according to their ownership structure and the respective equity interest in them:

Companies included in the consolidated financial statements	Ownership
Name and registered office of the company	interest in %
Subsidiaries (fully consolidated)	

Companies included in the consolidated financial statements	Ownership
Aumann AG, Beelen, Germany	40.05
Aumann Beelen GmbH, Beelen, Germany	40.05
Aumann Berlin GmbH, Beelen, Germany ¹	40.05
Aumann Winding and Automation Inc., Clayton, USA	40.05
Aumann Espelkamp GmbH, Espelkamp, Germany	40.05
Aumann Immobilien GmbH, Espelkamp, Germany	40.05
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	40.05
Aumann Technologies (China) Ltd. Changzhou, China	40.05
CT Formpolster GmbH, Löhne, Germany	100.00
Delignit AG, Blomberg, Germany	75.47
Blomberger Holzindustrie GmbH, Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	80.00
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH, Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany	64.27
Friedrich Vorwerk Group SE, Tostedt, Germany	36.00
Friedrich Vorwerk Management SE, Tostedt, Germany	36.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	32.37
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	32.37
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	32.37
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	32.37
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	32.37
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	32.37
European Pipeline Services GmbH, Tostedt, Germany	32.37
Gottfried Puhmann GmbH, Marne, Germany	24.28
Gottfried Puhmann GmbH Havelländische Bauunternehmung, Berlin, Germany	31.22
KORUPP GmbH, Twist, Germany	32.37
SKS Strassenbau GmbH, Tostedt, Germany	16.19
Vorwerk - ASA GmbH, Herne, Germany	32.37
Vorwerk-EEE GmbH, Tostedt, Germany	32.37
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	32.37
Vorwerk Verwaltungs GmbH, Tostedt, Germany	32.37
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	94.08
OBO-Werke GmbH, Stadthagen, Germany	100.00

¹ Business operations of Aumann Berlin GmbH were discontinued at the end of 2020.

Segments

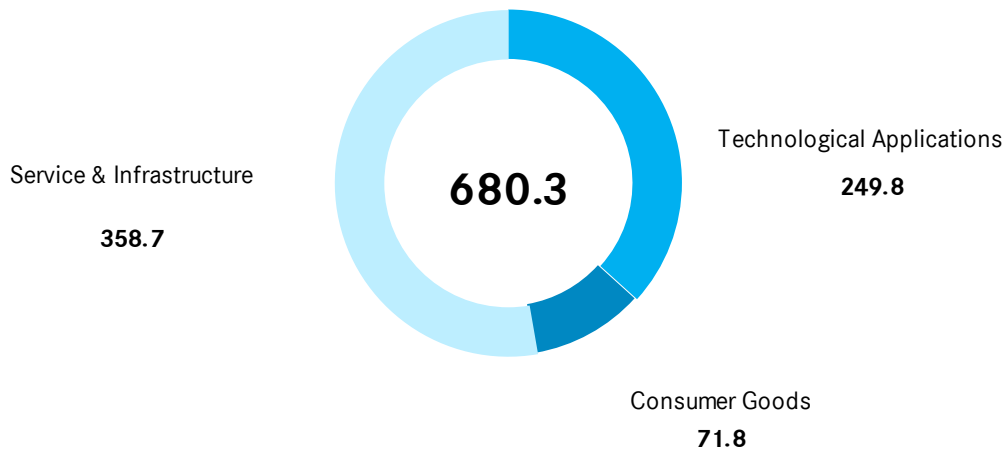
The individual segments in which MBB Group companies operate have different focus areas in terms of their business activities. These are described in brief in the following section. Detailed information on the individual companies is not published in order to prevent the possibility of adverse effects on their business activities, though our listed subsidiaries naturally fulfil their disclosure requirements.

In summary, the structure of the business segments is as follows as at the end of the reporting period:

- Technological Applications: Aumann AG, Delignit AG and OBO Werke GmbH
- Consumer Goods: CT Formpolster GmbH and Hanke Sp. z o.o.
- Service & Infrastructure: DTS IT AG and Friedrich Vorwerk Group SE

Group-revenue by segment

€ million



Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of Aumann, Delignit and OBO-Werke GmbH.

Aumann is a world-leading manufacturer of innovative specialty machinery and automated production lines with a focus on e-mobility. Leading automotive manufacturers around the world rely on Aumann solutions for the series production of electric motors and battery systems for purely electric and hybrid vehicles, and on solutions for production automation. In Germany, Aumann has locations in Beelen, Espelkamp and Limbach-Oberfrohna. It has also has a location in Changzhou, China, since June 2013. The main aim of the location in China is to offer the local manufacturing and servicing of systems for Chinese production sites to customers of the German Aumann companies. In addition, the company serves Asian customers that are not part of the German Aumann companies' customer base but that require technologically advanced system solutions for manufacturing high-quality products.

In the field of e-mobility, Aumann is characterized by highly automated production lines for the full assembly and production of all key traction engine components from a single source: battery module, battery tray, fuel cell, rotor and stator with various winding technologies or alternative manufacturing methods. In addition, in its Classic segment, Aumann offers automated lines for the production of conventional drive components as well as assembly solutions for electrical engineering, consumer electronics and specific solutions for other sectors.

In 2021, Aumann's external revenue fell by 6.8% to €161.1 million (previous year: €172.8 million), thereby accounting for 23.7% (previous year: 25.1%) of MBB SE's consolidated revenue. At €236.6 million, however, order intake for the year as a whole was significantly above the level of the previous year (previous year: €157.3 million) and thus shows clear signs of recovery. Order intake in the e-mobility segment reached an all-time high of a pleasing €169.1 million, which corresponds to a share of total order intake of just under 71.5%.

Against the background of the order situation, the Aumann management expects consolidated revenue to grow to over €200 million in the 2022 financial year, with an EBITDA margin of 4 to 5%. The company thus intends to gradually return to profitability and further expand its capacities. With liquidity of over €100 million at the end of the year, Aumann also sees good conditions for new company acquisitions.

Delignit, for more than 200 years, has been developing and manufacturing ecological materials and system solutions primarily based on hardwood. Delignit is a recognized development and project partner and series supplier for technology industries such as the automotive and rail sectors. The products have special technical properties and are used, for example, in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology. The materials used in Delignit's products are generally based on beech wood and are lifecycle carbon-neutral, making them ecologically superior to non-regenerative materials such as plastic or steel.

Delignit reports an external revenue of €68.3 million (previous year: €58.7 million), thereby accounting for 10.0% (previous year: 8.5%) of MBB SE's consolidated revenue. Despite numerous unexpected plant

closures on the part of important OEM customers as a result of the ongoing semiconductor shortage, the company was able to maintain its revenue forecast that was confirmed in August 2021. The EBITDA margin is 8.0% and thus below the forecast margin of 9.0%.

OBO is a global and world-leading provider of polyurethane and epoxy resin-based materials for tooling applications. OBO has been part of the MBB Group since 2003. OBO supplies dealers, model makers, car manufacturers, foundries and other companies in various industries. OBO has developed positively in recent years. In addition to its PU Board division, the acquisition of the European tooling, block and paste operations of its long-term partner Huntsman Advanced Materials in 2014 in particular sparked new growth stimulus.

OBO contributed 3.0% to the MBB Group's consolidated revenue in the 2021 financial year (previous year: 2.3%). External revenue in 2021 amounted to €20.3 million (previous year: €16.0 million) and have thus almost recovered to the level of the pre-pandemic year 2019.

Investments in the Technological Applications segment amounted to €6.0 million (previous year: €4.9 million).

For the companies in the Technological Applications segment, we expect a slight year-on-year improvement in revenue and profitability in financial year 2022.

Consumer Goods

The Consumer Goods segment includes the subsidiaries whose products are predominantly used by private consumers. Accordingly, this segment contains the subsidiaries Hanke and CT Formpolster.

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of "aha", the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and coloured tissue paper for various private labels in Europe.

Since its acquisition by MBB in 2006, Hanke has invested significantly in its plant and equipment, allowing it to achieve considerable growth and expand its market position. Continuous investment is intended to increase conversion capacity in particular over the coming years, which will have a positive impact on the company's margin. In 2021, the older of the two paper machines was completely overhauled and renewed.

In 2021, Hanke contributed €41.9 million (previous year: €42.5 million) or around 6.2% (previous year: 6.2%) to consolidated Group revenue. The decline in revenue is largely attributable to a drop in demand for napkin products due to area-wide closures or restrictions of catering establishments. After Hanke still achieved a record level of earnings in financial year 2020, the company was only able to contribute a break-even result in financial year 2021 due to the extraordinary energy price increases. For the 2022 financial year, Hanke is planning a significant increase in revenue due to capacity and product price increases.

CT Formpolster manufactures mattresses and other flexible polyether foam products. Since its acquisition by MBB in the year 2010, CT Formpolster has gradually developed into a one-stop shop for online mattress sellers. As part of the digital upheaval in the mattress industry, many providers are looking for innovative offers to meet changing customer expectations. What sets CT Formpolster apart is its ability to design full customer products, produce them in series and deliver directly to consumers in compact boxes within a few hours or days.

CT Formpolster has not been spared from the consequences of the pandemic. External revenue decreased by 6.0% from €31.9 million in the previous year to €30.0 million in the year under review. CT Formpolster accounted for 4.4% of MBB's consolidated revenue (previous year: 4.6%). Despite the decrease in revenue, the company was able again to slightly improve its EBIT profitability year-on-year thanks to improvements in efficiency.

Investments in the Consumer Goods segment amounted to €2.9 million (previous year: €5.2 million).

The companies in the Consumer Goods segment were severely affected by the restrictions imposed by the pandemic during the financial year. We expect a slight improvement in demand in the coming year, provided the markets continue to recover.

Service & Infrastructure

The Service & Infrastructure segment comprises the companies of **DTS**, which specialises in IT security and cloud services, and the companies of Friedrich Vorwerk, which operate in the field of pipeline and plant engineering for gas, power and hydrogen grids.

In IT security, DTS customers benefit from products and services that increase security in corporate networks. Since 2018, this has included the Security Operations Center (SOC), where DTS security specialists monitor customer systems for anomalies and attacks around the clock. This is particularly important because many network attacks take place overnight, whereas most companies cannot ensure 24/7 monitoring.

The original company, DTS Systeme GmbH, was formed in 1983 and is headquartered in Herford, where it operates the Group's main data center. With sales and service offices in Bensheim, Berlin, Bochum, Bremen, Cologne, Hamburg, Hanover, Munich, Nuremberg and Vienna, the German-speaking sales network has been extended throughout most of the country since the majority acquisition by MBB in 2008. DTS Systeme Münster GmbH (formerly: ICSmedia GmbH), Münster, was acquired in August 2010. DTS Systeme Münster GmbH has its own data center and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services. This European presence was expanded further in 2018 with the establishment of DTS CLOUD SECURITY MonEPE, Athens. Highly specialised experts based in Greece work with their German colleagues in international and interdisciplinary teams to protect the IT landscapes of their local customers against attacks, analyze network activities and immediately initiate countermeasures when attacks are discovered. The Athens site is also home to many of the Group's software developers.

DTS IT AG acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH in February 2019 and increase its shareholding to 80.34% in the first quarter of 2021. ISL is a leading German software developer in the area of IT security with a focus on network access control (NAC). Well known companies from industry and retail as well as banks, public authorities and research institutions rely on ISL's ARP-GUARD software to protect their IT infrastructure against undetected intrusion by unauthorized devices and internal attacks. With the support of DTS and MBB, ISL is seeking to accelerate its growth of recent years and thereby benefit from the rapid expansion of the IT security market in the long term. Within the market for IT security, network access control is becoming increasingly important with a forecast annual market growth rate of more than 30%. A key growth driver is the Internet of Things (IoT), which is significantly increasing the number of devices in business networks. ISL software products assist in ensuring the efficient securing of business networks, which are becoming ever more complex on account of a wide range of different equipment.

Even after achieving strong growth rates in recent years, the DTS Group improved its revenue performance once again in 2021. Revenue rose from €76.2 million in the previous year to €79.7 million in the year under review. The DTS Group therefore contributed 11.7% to the MBB Group's revenue (previous year: 11.0%). The double-digit profitability level of the previous year was maintained.

Friedrich Vorwerk, with more than 1,600 employees, is a leading provider in the field of complex solutions for energy infrastructure and thus a major beneficiary of the European energy transition. For 60 years now, Friedrich Vorwerk's name has stood for high technical competence, industry-leading innovation and disciplined project implementation in the design, realization and operational management of energy infrastructure in its three core markets natural gas, electricity and hydrogen. Thanks to an integrated turnkey approach and a number of own components and systems, Friedrich Vorwerk is able to offer its customers sustainable and bespoke solutions from a single source. This way, numerous utility companies, grid operators, industrial companies and municipalities have been counting on Friedrich Vorwerk expertise for decades.

Being among performant German companies in the areas of planning & design, energy grids, energy transformation and service & operations, Friedrich Vorwerk covers all key elements in the value chain. This way, Friedrich Vorwerk is not just supporting its customers to construct and operate reliable and cost efficient energy infrastructure, but is also making a significant contribution to the security of the energy supply in Europe.

In addition to the successful conclusion of two M&A transactions, the 2021 financial year was characterized by numerous major projects that were implemented in parallel. Of particular note was the successful acquisition of the contract for the realization of the Legden compressor station worth €52.5 million. The planned compressor station is part of the ZEELINK project, one of the most important infrastructure projects in Germany in recent years, which plays a central role in the necessary conversion from L-gas to H-gas. In the financial year, Friedrich Vorwerk acquired 100% of the shares in KORUPP GmbH, one of the leading providers of services and products in the field of cathodic corrosion protection (CCP). Furthermore, Friedrich Vorwerk acquired the majority shares of the Gottfried Puhlmann Group, thus securing important personnel resources in the attractive metropolitan regions of eastern and northern Germany. With a tradition stretching back over 100 years, Gottfried Puhlmann has extensive project experience and long-standing customer relationships in the growth markets of district heating and cable construction, making it an excellent complement to Friedrich Vorwerk's existing range of services in these areas.

Overall, Friedrich Vorwerk generated external revenue of €279.1 million (previous year - adjusted: €291.2 million). The slight decline is mainly due to unfavorable weather conditions at the beginning of the year and a customer-induced project delay in Denmark.

On March 25, 2021, Friedrich Vorwerk Group SE completed a very successful IPO. As part of the IPO, 2,000,000 new shares were issued as a capital increase and a total of 7,200,000 shares, including 4,800,000 shares from the portfolio of MBB, were reallocated. Friedrich Vorwerk received gross issue proceeds of €90.0 million from the capital increase. MBB SE received gross issue proceeds of €216.0 million from the replacement. Taking into account the costs directly attributable to the IPO of €33.7 million, the net issue proceeds for the Group amounted to €272.3 million, of which €189.1 million are attributable to MBB SE and €83.2 million to Friedrich Vorwerk Group SE.

Investments in the Service & Infrastructure segment amounted to €30.8 million in the year under review (previous year: €26.8 million).

In total, both DTS and Friedrich Vorwerk remained stable through 2021. The energy turnaround requires high investments in the European energy infrastructure and, against this background, Friedrich Vorwerk expects to be able to increase its revenue in the financial year 2022 to over €320 million with an EBIT margin of 15%. Overall, our growth prospects for the Service & Infrastructure segment are very good.

Employees

MBB SE had a total of 10 employees at the end of 2021; this figure includes the four members of Executive Management. In addition to Executive Management, the company had office management employees and managers for the areas of finance, M&A, operations and IT in 2021.

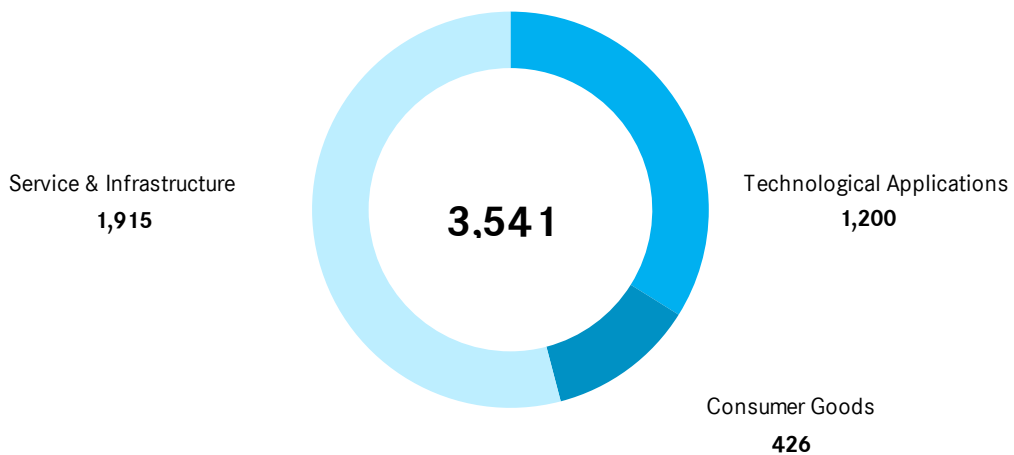
The aim of MBB SE's management is to ensure the sustainable performance of the MBB Group. The founders Dr Christof Nesemeier and Gert-Maria Freimuth together hold around two thirds of the outstanding share capital of MBB SE as of December 31, 2021. Appropriate fixed compensation is supplemented by performance-based short- and medium-term variable components and long-term incentive programs, which may also be share-based. There are no severance or pension agreements.

The MBB Group had an average of 3,422 employees (excluding trainees) in the 2021 financial year, compared to an average of 3,481 in the previous year.

As of December 31, 2021, the MBB Group had 3,541 employees (previous year: 3,457) in the following segments:

- Technological Applications: 1,200 employees (previous year: 1,411)
- Consumer Goods: 426 employees (previous year: 474)
- Service & Infrastructure: 1,915 employees (previous year: 1,572)

Headcount by segment



The decline in the number of employees in the Technological Applications segment is attributable to the restructuring measures initiated at Aumann in December 2020. With the closure of its smallest production site in Hennigsdorf and capacity adjustments at the remaining German sites, the company has responded consistently to changes in the market environment. The increase in the number of employees in the Service & Infrastructure segment is attributable to the acquisitions made by Friedrich Vorwerk during the financial year. Overall, Friedrich Vorwerk has grown by 273 new employees compared to the previous year with the acquisition of the Gottfried Puhmann companies and KORUPP GmbH.

The number of employees by country as of December 31, 2021 (December 31, 2020) was as follows:

- 3,116 employees in Germany (previous year: 3,024)
- 309 employees in Poland (previous year: 333)
- 82 employees in China (previous year: 72)
- 34 employees in Greece (previous year: 27)
- No employees in Austria (previous year: 1)

MBB considers supporting and challenging its employees to be a key factor in its success. The management and senior employees of the subsidiaries, who have a major influence on the success of their business activities, receive variable remuneration components that are also dependent on the results achieved and the value growth of the companies.

For 2022 the Group's headcount is expected to be at about the same level as in the prior year, though developments may differ at individual subsidiaries in line with capacity utilization.

MBB SE's subsidiaries place a high importance on training, and, in total, there are 263 people either in training or on a dual study program as of December 31, 2021 (previous year: 245). This will ensure a steady supply of junior talent even in times of a growing shortage of qualified employees. With regard to current employees, the MBB Group is constantly striving to improve the quality of its workforce through training and continuing professional development.

Diversity is taken into account in recruiting processes throughout the Group. We always consider applicants of male, female and diverse gender. When making hiring decisions, we focus on the professional and personal qualifications of the respective person. On April 14, 2021, the Board of MBB SE resolved to achieve a 20% share of female members for the Board and the Executive Management in the medium term. We pursue similar targets for our subsidiaries, whereby the Supervisory Board of Friedrich Vorwerk Group SE already consists one female member.

Results of operations, financial position and net assets

MBB SE and the MBB Group have enjoyed a successful and profitable 2021 financial year.

Continuous value appreciation – for example, in terms of the growth in equity from €15.5 million in 2005 to €808.5 million in 2021 or the turnaround from net debt of €13.8 million in 2005 to net cash of €534.6 million at the end of 2021 – serves to highlight the sustainable success of our business model and the high quality of our investments. Subject to the impact of COVID-19, the MBB Group therefore intends to acquire further companies with a view to increasing its value. The high level of cash and cash equivalents in MBB Group is supporting its business model and will allow future company acquisitions to be conducted independently and without the need for external finance. The MBB Group therefore intends to acquire further companies with a view to increasing its value.

The following section discusses MBB SE and the MBB Group in greater detail.

Notes to the separate financial statements of MBB SE (HGB)

The annual financial statements of MBB SE for the 2021 financial year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

Results of operations

MBB SE generated revenue of €2.1 million in the year under review (previous year: €1.9 million). Revenue essentially resulted from the rendering of management services for the subsidiaries.

In addition, MBB SE generated income from participations of €18.9 million in the year under review (previous year: €1.3 million).

Other operating income amounts to €217.3 million (previous year: €1.4 million). This mainly includes the gross proceeds from the IPO of Friedrich Vorwerk Group SE of €216.0 million, income from securities of €0.7 million and income from currency translation of €0.5 million.

This was offset by staff costs of €20.7 million (previous year: €3.7 million), which related to the remuneration paid to MBB SE's management and team. Staff costs for the financial year 2021 include special bonuses in connection with the IPO of Friedrich Vorwerk Group SE of €17.1 million.

Other operating expenses of €19.3 million (previous year: €4.0 million) were incurred. They essentially comprise transaction costs relating to IPO of Friedrich Vorwerk Group SE of €9.0 million, expenses from disposals of investment assets of €6.9 million, expenses from disposals of securities of €0.9 million (previous year: €2.0 million), legal and consulting costs of €0.8 million (previous year: €0.3 million), expenses for insurance of €0.4 million (previous year: €0.1 million), rental and lease expenses of €0.3 million (previous year: €0.3 million) as well as losses from currency translation of €0.1 million (previous year: €0.4 million).

Depreciation and amortization expenses of €1.0 million were incurred in the year under review (previous year: €3.9 million). This essentially relates to write-downs on financial assets. Unrealized gains on financial assets of €45.1 million are not accounted for under HGB.

Income from securities of €11.1 million (previous year: €5.5 million) and interest and similar income of €0.1 million (previous year: €0.3 million) was generated in the 2021 financial year. After interest expenses of €0.8 million (previous year: €0.1 million) and tax expenses of €1.7 million (previous year: €0.6 million) this results in a net profit for the year of €206.1 million (previous year: €1.9 million).

Net assets and financial position

Equity increased from €207.4 million in the previous year to €392.5 million as of December 31, 2021.

The increase is essentially a result of the net profit for the year. This was partly offset by the payment of the dividend to the shareholders of MBB. The equity ratio was 98.5% as of the end of the reporting period (previous year: 99.4%).

Total assets rose from €208.5 million to €398.5 million as of the end of the reporting period. On the assets side, the increase is mainly due to the higher level of cash and cash equivalents received by the company as a result of the reallocation of shares in Friedrich Vorwerk Group SE. On the equity and liabilities side, the increase in the balance sheet primarily results from the increase in equity.

Including long-term securities, securities classified as current assets and physical gold holdings, MBB SE had liquid funds of €355.3 million (previous year: €164.2 million) at the end of the financial year. Net cash also increased to €355.3 million (previous year: €164.2 million). Unrealized changes in physical gold holdings and securities are not included in this presentation of the financial position, hence the amount differs from the cash and cash equivalents reported under IFRS for the MBB SE holding company of €401.2 million.

A dividend of 88 cents per share plus an additional dividend of 88 cents per share, thus €1.76 per share (previous year: 70 cents) or €10.4 million was distributed in the financial year.

MBB Group

Results of operations

The MBB Group generated revenues of €680.3 million in the financial year 2021 (previous year: €689.2 million, unadjusted: €689.8 million). The slight decline is mainly the result of supply chain disruptions due to the semiconductor crisis and customer-induced project delays at Friedrich Vorwerk.

Development of adjusted group revenue



Adjusted consolidated total operating performance fell from €713.0 million in the previous year to €706.4 million in the year under review. Adjusted other operating income of €19.6 million (previous year: €15.7 million) includes income from securities (€5.1 million), own work capitalized (€2.7 million), income from the reversal of provisions (€2.6 million), income from the offsetting of non-cash benefits (€2.3 million), income from rentals and leases (€1.2 million), income from reimbursements (€1.0 million), exchange rate gains (€0.8 million), income from fixed asset sales (€0.5 million), insurance and other compensation

(€0.3 million), income from the reversal of valuation allowances (€0.3 million), income relating to other periods (€0.1 million), and miscellaneous other income (€2.6 million).

Income from investments accounted for using the equity method amounted to €5.1 million in the financial year (previous year: €10.6 million).

The adjusted cost of materials amounted to €369.3 million in the reporting year (previous year: €366.0 million). The ratio of adjusted cost of materials to operating performance increased from 53.3% in the previous year to 54.2%.

Adjusted personnel expenses increased from €203.3 million in the previous year to €206.3 million in 2021.

Adjusted other operating expenses amounted to €51.2 million in the reporting year (previous year: €58.0 million). These mainly include maintenance expenses, travel expenses, legal and consulting costs, rents and leases, advertising costs, insurance premiums and expenses for telecommunications.

The MBB Group thus generated adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of €79.6 million in the financial year 2021 (previous year: €85.7 million). The adjusted EBITDA margin was 11.7% (previous year: 12.5%). EBITDA before adjustments amounted to €55.9 million (previous year: €70.0 million).

In the financial year, the main adjustments comprised €21.0 million in expenses connected with the IPO of Friedrich Vorwerk Group SE, of which €19.9 million were staff costs and €1.1 million other costs. The restructuring measures planned by Aumann in 2020 could be optimized due to an emerging market recovery in the course of the 2021 financial year. Short-term capacity utilization was secured through two acquired orders. On the one hand, this resulted in reversals of restructuring provisions in the amount of €4.7 million, on the other hand, non-recurring expenses for orders securing capacity utilization in the amount of €5.1 million were incurred. The reversals therefore had a negative impact on earnings, while the non-recurring expenses had a positive impact on adjusted EBITDA. The adjustment of one-off expenses related to the two acquired orders was only done, because of their positive impact on capacity utilization, which was considered a preferential measure over the original restructuring plans. Staff costs in connection with the stock option programs of MBB SE and Aumann AG of €2.0 million and severance payments of €0.5 million were also adjusted.

Development of adjusted group EBITDA



Adjusted depreciation and amortization of €32.7 million (previous year: €29.6 million) mainly relate to scheduled depreciation of property, plant and equipment and amortization of intangible assets. The adjustment relates to depreciation and amortization of assets capitalized as part of purchase price allocations amounting to €4.2 million (previous year: €9.4 million).

This resulted in adjusted EBIT (earnings before interest and taxes) of €46.9 million (previous year: €56.2 million). This corresponds to an adjusted EBIT margin of 6.9% (previous year: 8.2%). EBIT before adjustments amounted to €19.0 million (previous year: €30.0 million).

Development of adjusted group EBIT



The adjusted financial result amounted to €-6.2 million, compared with €-7.1 million in the previous year. The balance of interest income and interest expenses amounts to €-2.9 million (previous year: €-3.4 million). In addition, the net financial result includes the adjusted earnings attributable to non-controlling interests of Friedrich Vorwerk SE & Co. KG in the amount of €-3.4 million (previous year: €-3.7 million).

The resulting earnings before taxes (EBT) amount to €40.7 million (previous year: €49.0 million).

The adjusted tax expense reported for the financial year amounts to €13.1 million (previous year: €20.2 million) and is mainly attributable to current taxes and deferred taxes. The adjustment of the tax expense relates to the adjustments explained above.

Overall, adjusted Group earnings amounted to €27.5 million (previous year: €28.8 million).

Adjusted consolidated net income comprises net income attributable to shareholders of the parent company of €11.7 million (previous year: €21.7 million) and income attributable to non-controlling interests of €15.8 million (previous year: €7.1 million). The average number of shares issued in the reporting period was 5,911,913 (previous year: 5,934,168). Adjusted earnings per share amounted to €1.98 (previous year: €3.66) or €-1.96 (previous year: €2.14) before adjustments.

Calculation of adjusted earnings figures

As described in the section on the controlling system, the adjusted earnings figures offer greater transparency of the company's actual performance. The following table shows the reconciliation of the IFRS earnings figures to the adjusted earnings figures.

	Notes	Jan 1 - Dec 31, 2021 €k	Jan 1 - Dec 31, 2020 €k
Revenue	III.1.	680,329	689,806
Increase (+)/decrease (-) in finished goods and work in progress		1,394	-2,467
Adjustments:			
Revenue from discontinued activities		0	-563
Operating performance		681,723	686,775
Income from joint ventures and associates	III.2.	5,122	10,551
Other operating income and Badwill	III.3.	24,466	15,720
Adjustments:			
Release of provisions adjusted in the prior year		-4,696	0
Badwill		-203	0
Total performance		706,412	713,046
Cost of raw materials and supplies		-228,620	-213,184
Cost of purchased services		-145,780	-159,396
Cost of materials		-374,400	-372,580
Wages and salaries		-187,665	-169,924
Social security and pension costs		-41,084	-42,161
Staff costs		-228,749	-212,084
Other operating expenses	III.4.	-52,265	-58,973
Adjustments:			
Costs relating to the IPO of Friedrich Vorwerk Group SE		20,969	0
One-time expenses for orders to secure capacity utilization		5,052	0
Non-operating costs		2,555	654
Restructuring costs		0	15,351
Costs from discontinued activities		0	312
Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)		79,574	85,725
Depreciation and amortization expense	III.5.	-36,894	-39,996
Adjustments:			
Depreciation and amortization of assets acquired in a business combination		4,187	9,412
Depreciation of plant and equipment related to restructuring		0	1,016
Adjusted earnings before interest and taxes (EBIT)		46,868	56,157
Finance income	III.6.	112	436
Finance costs	III.7.	-2,963	-3,867
Earnings attributable to non-controlling interests		-3,177	-3,183
Net finance costs		-6,028	-6,614
Adjustments:			
Interest on non-operating items		26	0
Non-controlling interests on adjustments		-206	-533
Adjusted earnings before taxes (EBT)		40,659	49,009
Income tax expense	III.8.	-10,704	-11,332
Other taxes	III.8.	-1,222	-1,310
Adjustments:			
Deferred taxes on adjustments		-1,208	-7,568
Adjusted profit or loss for the period		27,525	28,799
Non-controlling interests		-12,619	1,965
Adjustments:			
Non-controlling interests on adjustments		-3,214	-9,038
Adjusted consolidated net profit		11,691	21,726
Adjusted earnings per share (in €)	III.9.	1.98	3.66

Achievement of targets by the Group

Key figures	Forecast	Forecast	Attained
	2021	2021	
	published	updated	
	April 2021	November 2021	2021
Adjusted Revenue (€ million)	720	660 - 680	680.3
Adjusted EBITDA margin (%)	10 - 12	10 - 12	11.7

Net assets

Equity amounts to €808.5 million as at December 31, 2021 (December 31, 2020: €499.7 million). The increase of 61.8% results from the profit for the period and from the IPO and capital increase of Friedrich Vorwerk Group SE. In relation to the consolidated balance sheet total of €1,152.3 million, the equity ratio as of the balance sheet date was 70.2% (previous year: 62.3%). In the opinion of the managing directors, the MBB Group thus has a good equity base.

Intangible assets amounted to €70.5 million as of the balance sheet date (previous year: €67.3 million). The increase is mainly due to the acquisition of Korupp GmbH and Gottfried Puhlmann by Friedrich Vorwerk (€2.2 million) and additions (€9.0 million), of which €1.7 million relates to own work capitalized. Scheduled depreciation and amortization (€8.0 million) had the opposite effect. MBB subjected goodwill to an annual impairment test. The impairment test confirmed the recoverability of all capitalized goodwill.

Property, plant and equipment increased from €165.0 million as of December 31, 2020 to €183.7 million as of December 31, 2021. The main reasons for the increase were investments and the acquisition of Gottfried Puhlmann (€11.4 million) by Friedrich Vorwerk.

Financial assets increased from €125.6 million in the previous year to €211.5 million as of December 31, 2021. This mainly includes securities and shares in joint ventures accounted for using the equity method. The increase is mainly attributable to a higher volume of investments in financial assets compared with the previous year.

Inventories amounted to €46.0 million at the balance sheet date (December 31, 2020: €38.2 million). The change in inventories is mainly attributable to Delignit.

The increase in receivables and other current assets from €180.5 million to €201.7 million as of December 31, 2021 is mainly due to higher project-related receivables in individual major projects.

Cash in hand and bank balances increased to €416.8 million in the reporting year (December 31, 2020: €209.7 million). The inflow of cash and cash equivalents is mainly due to the IPO and the capital increase of Friedrich Vorwerk Group SE.

The Group's liabilities to banks and lease liabilities amount to €87.9 million as of December 31, 2021 (December 31, 2020: €77.6 million). The increase is mainly due to the acquisition of Korupp GmbH and Gottfried Puhlmann by Friedrich Vorwerk (€7.0 million) and the raising of loan liabilities.

Liabilities to non-controlling interests decreased from €7.6 million in the previous year to €6.3 million as of the balance sheet date.

Contract liabilities from advance payments received increased from €21.8 million as of December 31, 2020 to €34.4 million as of the balance sheet date due to an increase in order intake at some subsidiaries.

Accruals decreased from €26.3 million to €23.6 million. The decrease is mainly due to lower accruals for outstanding invoices.

Pension provisions increased slightly to €28.3 million (previous year: €28.1 million).

Trade payables increased from €47.1 million as of December 31, 2020 to €53.4 million as of the balance sheet date.

Net cash (cash in hand and bank balances, current and non-current securities and physical gold less liabilities to banks and lease liabilities) thus amounted to €534.6 million as of the balance sheet date (previous year: €252.6 million). In the opinion of the Managing Directors, the MBB Group thus continues to have a very good funding.

Financial position

The change in cash and cash equivalents in the reporting year amounted to €206.8 million (previous year: €-34.1 million) and breaks down as follows:

Cash flow from operating activities increased from €56.0 million in the previous year to €59.1 million in the year under review. The increase was mainly due to changes in working capital amounting to €6.2 million (previous year: €-15.6 million). The net inflow is mainly composed of the operating business of the subsidiaries and the cash inflows resulting from this business. It also includes changes in assets and liabilities not attributable to investing or financing activities.

Cash flow from investing activities amounted to €-85.1 million (previous year: €-54.2 million) and resulted mainly from investments in fixed assets.

Cash flow from financing activities amounts to €232.8 million (previous year: €-35.9 million). This mainly includes the gross proceeds from the IPO and the capital increase of Friedrich Vorwerk Group SE of €306.0 million, the payment of IPO transaction costs of €-33.7 million (of which €-21.1 million was recognized in profit or loss and €-12.6 million directly in equity), the payment of dividends to shareholders of MBB SE and to non-controlling interests of €-10.4 million and €-10.6 million, respectively, as well as cash inflows and outflows from the raising and repayment of financial loans and lease liabilities.

All Group companies were able to meet their payment obligations in full at all times during the reporting year.

Summary assessment

Executive Management rates the development of the MBB Group in the 2021 financial year as positive. With slightly lower revenue and EBITDA profitability, cash and cash equivalents reached a new high thanks to the IPO of Friedrich Vorwerk Group SE. Consolidated revenue, adjusted EBITDA and adjusted earnings per share all set new records in 2021. In addition, key investments were made at all subsidiaries and further companies were acquired, so that annual revenue including the revenue of the companies acquired in 2021 were higher than in the previous year.

Principles and objectives of financial management

The foundations of the Group's financial policy are determined by Executive Management. The primary objectives of our financial management are to safeguard liquidity and limit financial risks. Furthermore, our goal is to generate a return from the free liquidity of the Group despite the current low interest rates. Thus, parts of these funds are invested in securities until they are needed to finance new acquisitions.

Intragroup transactions are usually conducted in euro. As the subsidiaries hedge extraordinary foreign currency positions independently, unhedged positions of operating activities have not occurred to any significant extent at Group level to date. As such, the MBB Group does not use active exchange rate hedging at Group level. Currency forwards can be used in special circumstances. Similarly, the management of the credit risks of our contract partners is the responsibility of the individual subsidiaries. However, monitoring at Group level serves to ensure timely intervention as necessary.

Our business activities and the cash inflows they generate provide our main source of financing. However, long-term investments tend to be financed with long-term loans.

Controlling system

The MBB Group's systematic focus on increasing enterprise value is also reflected in its internal controlling system. To this end, we have implemented a mentor system in which an employee or member of Executive Management of MBB SE acts as the mentor for a subsidiary. In this role, the mentor is the first point of contact for the respective management on site and is closely involved in the strategic, operational and financial orientation of the subsidiary. Furthermore, all relevant developments at the subsidiary and at MBB SE are discussed at the monthly Executive Management meeting. This meeting also discusses potential investment opportunities and the free cash funds available for investment purposes. The development of various key figures, in particular incoming orders, revenue and EBITDA, but also sustainability information of the individual Group companies is analyzed here. MBB SE uses consolidated revenue and EBITDA as its financial performance indicators relevant to forecasts.

Typically, the forecast for the following financial year is published with the annual report at the latest. This is based on detailed bottom-up planning by the individual Group companies. The published forecast is reviewed regularly and updated by Executive Management if necessary. The earnings figures include IFRS remeasurement effects, such as negative goodwill from business combinations and write-downs on hidden reserves identified in conjunction with business combinations. These effects cannot be predicted as they are linked to future, unforeseeable investment. MBB is therefore forecasting an operating result

adjusted for these and other non-operating income and expenses that more transparently and more sustainably reflects the company's operating earnings power and development. The earnings projections for the 2022 financial year included in the forecast are also based on the adjusted earnings figures.

The key performance indicators for controlling the Group's net assets and financial position are firstly net cash (including all cash equivalents) and net debt and secondly cash flow. Operating cash flow is calculated using the indirect method in accordance with IAS 7. Interest expenses are allocated to cash flow from financing activities, while interest and dividend income are reported in cash flow from operating activities.

Report on risks and opportunities

The business development of MBB SE is subject to the same risks and opportunities as the Group as a whole. Thus, the risks and opportunities are essentially presented from the perspective of the MBB Group below.

Opportunities

In the opinion of the Executive Management, the MBB Group has the following opportunities for the future:

- MBB has a high level of cash funds that it primarily intends to invest in further growth through acquisitions.
- The sustained high number of SMEs available for sale means opportunities for acquisitions that will add value to the Group.
- The high level of investment by the Group's companies creates opportunities for further profitable growth.
- Investing in and increasing the value of small and medium-sized companies allows high returns above average if successful.
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, borrower or business partner and will boost MBB SE's importance as a holding company for SMEs in Germany.
- The experience and network of the current management offers a strong starting position for the continued growth of the MBB Group.
- The diversification of the MBB Group has been expanded substantially by the acquisition of the Friedrich Vorwerk Group, greatly cushioning the potential impact of changes in demand on individual markets on the Group as a whole.
- Friedrich Vorwerk is a major beneficiary of the energy transition and, thanks to its outstanding technological expertise, excellent reputation and customer relationships, as well as its fully integrated business model, is ideally positioned to benefit sustainably from the significant investments in its core markets of underground natural gas, hydrogen and electricity pipeline construction as well as the associated plant construction projects (e.g. GDRM plants, compressor stations, cavern storage facilities and transformer stations). Aumann is a beneficiary of the mobility transition and is reporting order intake well above the sales level in the fiscal year, particularly in the strategically important e-mobility segment, and thus has opportunities to grow significantly again. The growth of the Group companies also increases the attractiveness of their shares for major global investment companies and thus the opportunity for more attractive valuations.
- MBB's relative market position in the acquisition of companies could improve due to a reduced number of potential buyers, lack of debt financing as well as liquidity shortages of potential target companies in the wake of the developments surrounding the COVID-19 pandemic.

In summary, MBB has considerable opportunities arising from the operating activities of its individual subsidiaries and from the potential expansion of its portfolio of companies.

Risks

Exogenous risks

- War or armed conflicts could significantly disrupt the economic cycle, for instance by proving the current economic outlook by The German Council of Economic Experts to be true, and endanger the existence of individual subsidiaries.
- An economic and financial crisis of an as yet unknown magnitude could endanger the existence of individual subsidiaries. The economic and financial crisis could severely impact economic performance with all imaginable negative consequences and the possible simultaneous occurrence of several of the individual risks described below.
- Changes in the overall economic outlook during the year could affect short-term revenue and earnings performance.
- A sustained economic downturn could lead to falling revenue or earnings at MBB SE's existing subsidiaries.

- Individual subsidiaries could be affected by market downturns in specific industries.
- An intensification of the competitive situation in the core markets of our subsidiaries could lead to a deterioration in the earnings and profitability situation.
- Short-term changes in political conditions could render subsidiaries' individual business models unviable.
- Supply chain bottlenecks, particularly in the semiconductor sector, and associated price increases could mean that production targets cannot be met.
- The COVID-19 pandemic could worsen or new health risks of a different nature could emerge and severely impact the economic environment.
- A further increase in energy prices, problems with energy availability or even non-functioning energy markets could have a negative impact on profitability or lead to temporary production stoppages.

Financial risks

- Outstanding receivables could be paid late or not at all.
- Cash and cash equivalents could be insufficient to meet financial obligations in a certain amount and at a certain date.
- The funds invested in securities are subject to high fluctuations and can lose value for prolonged periods.
- The Group's floating-rate financial liabilities are subject to interest rate risk.
- Rising negative interest rates on financial assets in the form of bank balances could have a negative impact on the Group's earnings.
- Bank insolvencies could result in legally unsecured deposits having to be reduced or written off.
- As an international Group, MBB is subject to exchange rate fluctuations on the currency markets.
- The refinancing of new business acquisitions might not be possible.

Liability risks

- Despite comprehensive risk management, the Group companies are exposed to the general risks associated with their business activities. For example, the manufacturing companies within the Group in particular could be liable for warranty cases, environmental pollution or production downtime.
- MBB SE could be exposed to risks arising from sale and purchase agreement warranties, while its subsidiaries could be exposed to product liability or other statutory liability risks.
- MBB SE is liable in the long term in accordance with the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) in the context of the IPO of Aumann AG and Friedrich Vorwerk Group SE.
- Four of the companies within the Group are currently listed – MBB SE, Friedrich Vorwerk Group SE, Aumann AG and Delignit AG – which means additional expenses and liability risks specific to the capital market.

Other risks

- Environmental risks comprise the risks associated with greenhouse gas emissions, waste and the consumption of resources caused by the Group.
- The Group's continued growth is dependent on attracting high performing, qualified employees, particularly at the level of its subsidiaries.
- The handling of major long-term and complex projects at individual subsidiaries is subject to specific project risks.
- The high purchase price expectations of potential sellers could limit the number of attractive investment opportunities, and hence the Group's growth.

The overall assessment of the current risk and opportunity situation as of the end of the reporting period reveals no threats to the Group as a going concern.

Principles of the risk management and the accounting-related internal control system

The MBB Group has established a risk management system to address the above risks. Measures are initiated at an early stage in order to prevent any disadvantage to the company. This system includes:

- Integrated subsidiary controlling that uses monthly business controlling to continuously compare target, actual and forecast data at the level of the portfolio companies and MBB SE
- Project controlling, which defines, develops and tracks the implementation of optimization measures within the Group and at each individual company
- Regular management meetings within MBB SE and with the management of the respective subsidiaries

- Regular external or internal auditing to examine the focal areas determined in advance
- Structured M&A tools that are used to organize the proposal and acquisition process and test it for success, and the maintenance and continuous expansion of the network of M&A brokers and potential sellers
- Central Group monitoring of key contractual risks and legal disputes by management and the engagement of qualified law firms as necessary

The accounting-related internal control system is an integral component of MBB's risk management. Its primary objectives are to ensure that all transactions are accurately reflected in reporting and to prevent deviations from internal or external provisions. In terms of external accounting, this means that the conformity of the financial statements with the applicable regulations must be guaranteed. Accordingly, the structure of the internal control system and the risk management system reflects that of the reporting entities. MBB Group subsidiaries are subject to uniform accounting policies, compliance with which is monitored on an ongoing basis. At Group level, the specific control activities for ensuring the compliance and reliability of Group accounting include the analysis and, where necessary, correction of the separate financial statements submitted by the Group companies. To this end, the reporting tools and the consolidation system already feature automatic control mechanisms and plausibility checks. External specialists are commissioned on a case-by-case basis to control individual accounting risks, e.g. in connection with actuarial valuations.

As the pandemic progressed, the risk management system was closely monitoring major developments at MBB's companies, regularly coordinating with Executive Management and sharing information with the Chairman of the Board of MBB SE. At least once a month, the pandemic situation in the company and its subsidiaries was analyzed in a video conference with all holding company employees and measures were discussed.

Declaration on corporate governance

The Board reports on corporate governance in accordance with item 3.10 of the German Corporate Governance Code and section 315d HGB in conjunction with section 289f HGB.

Declaration in accordance with section 161 AktG

The Board issued the most recent declaration of compliance in accordance with section 161 AktG on 4 March 2022. It reads as follows:

The Executive Management and Board of MBB SE submitted the last declaration of conformity in accordance with section 161 AktG on March 4, 2021 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration with the special features presented below due to the one-tier system used by MBB SE. The Board declares on March 4, 2022 that it has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code (hereinafter "Code") as amended on December 16, 2019 with the following exceptions:

As a European stock corporation (Societas Europaea – SE), the company has a one-tier management and control structure. The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). Executive Management manages the company's business by implementing the basic principles and standards set out by the Board.

MBB SE interprets the regulations of the Code intended for supervisory boards as applying to its Board, and those intended for management boards as applying to its Executive Management. The following exception apply with respect to the legal design of the one-tier system:

- *Pursuant to Section 22 SEAG, the Board is responsible for developing the strategic direction of the Company.*
- *Pursuant to Section 40 SEAG, members of the Board may be appointed as Executive Directors, provided that the majority of the Board continues to consist of non-executive members.*

The following deviations apply with regard to recommendations B.3 and F.2 of the Code:

- *Dr Jakob Ammer and Torben Teichler were appointed as Executive Directors of MBB SE for the first time with effect from July 1, 2021 until June 30, 2025, and thus for a period of four years.*
- *Consolidated financial statements and interim reports are published within the deadlines set by Deutsche Börse for the Prime Standard.*

From the 2022 financial year and thus including this Annual Report, the company will report within the deadlines recommended by the German Corporate Governance Code, so that the Board and Executive Management issued an updated declaration without deviations on March 31, 2022.

The above declaration of compliance has been published on our website and is available for download at <http://www.mbb.com/investor-relations/corporate-governance.html>.

Composition of the Board

The Board should represent the two founding and majority shareholder families with one seat each, secure the expertise of very important management members on a permanent basis after their departure, have at least one independent member with high qualifications for MBB's business activities and sufficiently represent the Company's diversity. The current composition of the Board meets this target. The length of service of each member of the Board is shown in section VIII.1 Executive Bodies. When making new appointments, the target quota of 20% women should be observed.

An Audit Committee was formed in the 2020 financial year and a Nomination Committee in the 2021 financial year. The Chairman of the Audit Committee is Anton Breitkopf with the following main responsibilities: Audit of the financial statements, monitoring of the accounting process, effectiveness of the internal control system and internal audit system. Mr. Breitkopf is responsible for the final approval of all payments made by MBB SE. The audit of the financial statements and compliance-relevant topics are discussed with all members of the Board. The Chairman of the Nomination Committee is Gert-Maria Freimuth, who is responsible for nominating suitable candidates to the Board for its proposals to the Annual General Meeting for the election of members of the Board, as well as for achieving the Board's targeted diversity objectives.

Succession planning

The age limit for members of the Board and the Executive Management is 85. The average age of the Executive Board is 39, which is comparatively low. In addition, the company has highly qualified young managers who are successively supported in their careers and thus given the opportunity to move up to Executive Management. Furthermore, MBB is a highly attractive employer for qualified and highly motivated junior staff. The Board believes that the Executive Committee has been well staffed at any time.

Self-affirmation

The Board sees its work confirmed by the success of the company since it was founded 26 years ago.

Corporate governance report

Directors' shareholding

The shareholdings of the members of executive bodies are shown in the notes to the financial statements of MBB SE and under note 11.1 in II. Notes to the consolidated statement of financial position.

Avoiding conflicts of interest

In the year under review, there were no conflicts of interest among the members of Executive Management or the Board. It should be noted that the Board has agreed consulting contracts with Gert-Maria Freimuth and Anton Breitkopf. The agreed activities go beyond the extent of their responsibility as members of the executive bodies. For further information please refer to note "3. Remuneration of the executive bodies" in section "VIII. Other mandatory information".

Share buyback programme

On June 1, 2021, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on June 28, 2019. In the period from June 14, 2021 to December 31, 2021, MBB SE acquired 85,416 treasury shares of the company at an average price of €132.56 (excluding incidental acquisition costs) on the stock exchange.

Accounting and auditing

MBB SE prepares its annual financial statements in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. The consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards as adopted by the EU and the supplementary provisions of section 315e(1) HGB.

The management report of MBB SE and the Group management report are combined in accordance with sections 315(5) and 298(2) HGB.

The Annual General Meeting of MBB SE elected RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, as the auditor of the financial statements of MBB SE. At no point were there any business, financial, personal or other relationships between the auditor, its executive bodies and head auditors on the one hand, and MBB SE and the members of its executive bodies on the other, that could give rise to doubts as to the independence of the auditor. The Board of MBB SE issues the audit engagement to, and agrees the corresponding fees with, the auditor elected by the Annual General

Meeting. When issuing the audit engagement, the Board and the auditor also agree on the reporting obligations set out in the German Corporate Governance Code.

The auditor participates in the discussions of the Board on the financial statements of MBB SE and consolidated financial statements and reports on the key findings of its audit.

Long-term bonus programme/security-based incentive systems

Details of the long-term bonus programme can be found under note "3. Remuneration of the executive bodies" in section "VIII. Other mandatory information".

Remuneration report

The remuneration report was prepared separately this year in accordance with Section 162 of the German Stock Corporation Act (AktG) including the auditor's report and can be viewed on our website at <https://www.mbb.com/en/ir/annual-general-meeting.html>.

Information on corporate governance practices

The members of the Board and Executive Management manage the company's business with the due care and diligence of a prudent and conscientious company director in accordance with the law, the Articles of Association of MBB SE, the relevant Rules of Procedure, the provisions of the applicable employment contracts and the resolutions adopted. There are no codified and publicly accessible corporate governance practices above and beyond these requirements to date.

Procedures of Executive Management and the Board

The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). Executive Management manages the company's business by implementing the basic principles and standards set out by the Board. The Board concluded the Executive Management contracts for the period from 1 July 2021 to 30 June 2025. The MBB Group does not have a right of co-determination, meaning that all the members of the Board are shareholder representatives.

The individual subsidiaries each have independent operational management teams, some of which hold shares. The management teams of MBB SE and the subsidiaries cooperate closely on the development of the respective companies.

Diversity concept

When filling positions in the management of MBB SE and in the two management levels below the Executive Management, attention is paid to diversity and applicants of the male, female and diverse genders are always considered. In accordance with the requirements of stock corporation law, the primary criterion for the Board of Directors is that the candidate has the skills, knowledge and experience required for the work of the Executive Management.

On April 14, 2021, the MBB SE Board of Directors resolved to achieve a 20% share of women for members of the Board of Directors and the Executive Management in the medium term. The extended management level of MBB SE comprises the positions at the "Vice President" level. As of the balance sheet date, there was one Vice President position held by a woman.

Disclosures in accordance with section 289a and section 315a HGB

In accordance with sections 289a and 315a HGB, the management report must contain the following disclosures:

Composition of issued capital

The share capital reported in the statement of financial position as of December 31, 2021 of €5,940,751.00 consists of 5,940,751 no-par value bearer shares and is fully paid in. Each share grants the bearer one vote at the Annual General Meeting. The company does hold 93,914 own non-voting shares not entitled to dividends as of the balance sheet date.

Restrictions on voting rights or the transfer of shares

There are no restrictions on voting rights or the transfer of shares.

Direct or indirect equity interests exceeding 10% of the voting rights

Direct or indirect equity interests exceeding 10% of voting rights are presented in the notes to the financial statements of MBB SE and in the notes to the consolidated financial statements under note 11.1 in II. Notes to the consolidated statement of financial position.

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

Nature of control of voting rights in the event of employee participation

There are no corresponding employee participation schemes.

Statutory provisions and Articles of Association on the appointment and dismissal of members of the Executive Management and on amendments to the Articles of Association

Members of the Executive Management are appointed and dismissed in accordance with sections 84 et seq. AktG. Article 6 of the Articles of Association governs the appointment and dismissal of members of the Executive Management as follows:

“The company has one or more members of Executive Management. Individual members of the Board can be appointed as members of Executive Management provided that the majority of the Board still consists of non-executive members.

The Board is responsible for determining the number of members of the Executive Management and for their appointment, the conclusion of their employment contracts and the revocation of their appointment. Members of the Executive Management are elected for a maximum term of six years and can be dismissed by the Board at any time prior to the end of their term.

If more than one member of the Executive Management is appointed, the Board can nominate one of the members of the Executive Management as the Chairman or Chief Executive Officer (CEO). The Board can also nominate deputy members of the Executive Management.

The members of the Executive Management conduct the company’s business jointly in accordance with the law, the Articles of Association, the Rules of Procedure and the instructions issued by the Board. They implement the basic principles and standards set out by the Board. If only one member of the Executive Management is appointed, the company’s business is conducted solely by this member as described above.

The members of the Executive Management receive remuneration as determined by the Board in accordance with section 87 AktG.”

In accordance with section 179(1) AktG, all amendments to the Articles of Association require a corresponding resolution by the Annual General Meeting. In accordance with Article 24 of the Articles of Association, amendments to the Articles of Association require a simple majority of the votes cast at the Annual General Meeting, to the extent that this is permitted by law; abstentions do not count as votes cast.

Article 11(2) of the Articles of Association also states that the Board is authorized to make amendments to the Articles of Association that relate solely to their wording. In particular, the Board is authorized to amend the wording of the Articles of Association in the event of the full or partial implementation of an increase in the share capital.”

Power of the Board with particular reference to the ability to issue or buy back shares

The Annual General Meeting on June 30, 2016 resolved Contingent Capital 2016/I. The Board was authorized to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of ten years in the period until June 29, 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000. The Company’s share capital was contingently increased by up to €3,300,000 (Contingent Capital 2016/I). The purpose of this contingent capital increase was to issue shares to the creditors of convertible bonds or bonds with warrants. It was permitted to implement the contingent capital increase only to the extent that the creditors had exercised their conversion right or are subject to a conversion obligation.

The Annual General Meeting on June 28, 2018 cancelled the Authorized Capital 2015/I and created new Authorized Capital 2018. The Board is authorized to increase the company’s share capital on one or more occasions by a total of up to €3,300,000 in the period until June 27, 2023 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (Authorized Capital 2018).

The Annual General Meeting on May 28, 2019 authorized the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the authorization date while upholding the principle of equal treatment (section 53a AktG) in the period until May 27, 2024. The authorization can be exercised on one or more occasions, in part or in full. The shares can also be purchased by dependent Group companies or by third parties on the company’s account. The authorization cannot be used for the purposes of trading in treasury shares. The authorization to acquire and use purchased treasury shares

resolved by the Annual General Meeting on June 28, 2018 under item 9 of the agenda was cancelled when this authorization became effective.

The Annual General Meeting on August 24, 2020 authorized the Company to issue stock options (Stock Option Program 2020), to create a new Contingent Capital 2020/I, to adjust the Contingent Capital 2016/I and to make the necessary amendments to the Articles of Association.

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until June 30, 2025. For further details please find the separately published remuneration report within the meaning of Section 162 of the German Stock Corporation Act (AktG).

The capital stock of the company is conditionally increased by up to €240,000 through the issue of up to 240,000 new no-par value bearer shares (Contingent Capital 2020/I). The contingent capital increase serves exclusively to fulfill entitlements under the equity-based stock option program 2020.

The authorization to increase capital from Contingent Capital 2016/I on the basis of the resolution of the Annual General Meeting on June 30, 2016, expiring on June 29, 2021, is reduced from €3,300,000 to €2,500,000 with otherwise unchanged content. It hence expired on June 29, 2021.

On June 1, 2021, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from June 14, 2021 to December 31, 2021, MBB SE acquired 85,416 treasury shares of the company via the stock exchange with a total value of €11,348,586.22.

Material agreements subject to the condition of a change of control as a result of a takeover bid

There are no such agreements.

Compensation agreements with members of the Managing Board or employees for the event of a takeover bid

There are no such compensation agreements.

The disclosures required in accordance with section 160 AktG(1) no. 2 can be found in the notes to the financial statements of MBB SE and in section II.11.1 Equity in the Notes to the consolidated financial statements.

Non-financial statement in accordance with section 289b HGB and section 315b HGB

MBB sees sustainability as a central business task. Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of Executive Management. Economically oriented action combined with responsibility for the environment, employees and society characterize MBB's philosophy. In our daily efforts to achieve top performance, we reconcile sustainability-related objectives with economic aspects.

In accordance with the German Act to Strengthen Non-Financial Reporting (CSR Directive Implementation Act) of April 11, 2017, MBB hereby publishes the non-financial statement for the company and the Group in accordance with section 289b HGB and section 315b HGB. The reporting period for the non-financial statement is the 2021 financial year. The quantitative information includes all consolidated subsidiaries of the MBB Group.

In line with section 289d HGB, we examined which national, European or international frameworks could be applied in preparing the non-financial statement. No framework is comprehensively applied at present, however, as the cost of doing so would be disproportionate to the benefit in light of MBB's corporate structure and we do not consider any of the existing frameworks to be suitable for us.

As a result of the EU Taxonomy Regulation becoming effective, MBB is required to provide information on revenues, capital expenditure (CapEx) and operating expenditure (OpEx) associated with environmentally sustainable economic activities. In accordance with Article 8 of the EU Taxonomy Regulation, the environmental objectives of "climate change mitigation" and "climate change adaptation" are reported on for the first time in the following.

Business model

MBB is a medium-sized family-owned company that focuses on the acquisition and management of medium-sized companies with a high level of technological and engineering expertise. Further information on the business model and the individual segments and subsidiaries can be found in the "Segments" section within the combined management and group management report 2021 of MBB.

Stakeholders

Family owners: The family shareholders Gert-Maria Freimuth and Dr Christof Nesemeier are MBB SE's main equity providers. Their focus is on responsible action and sustainable value added.

Investors: The other shareholders also expect MBB to take sustainable and responsible action, with a clear strategic focus and transparent reporting.

Customers of the subsidiaries: The customers of our subsidiaries want reliable partners to reliably provide innovative solutions while exercising ecological and social responsibility.

Employees: Our employees value an attractive and secure workplace where they can apply their skills as trained. Continuing professional development is part of MBB's sustainable human resources policy.

MBB is in regular contact with all stakeholder groups. While family shareholders play a key role in the co-determination of MBB's sustainability strategy in their roles as members of the Board and Executive Management, other stakeholders are included through various channels, including direct dialogue, regular financial reporting, conferences and roadshows.

Materiality analysis

The materiality analysis, which was performed for the first time in 2017 and is regularly updated, identified "employee concerns" and "environmental concerns" as the core issues of MBB's sustainability strategy. These aspects are explained in more detail below. The issues of "social concerns", "respecting human rights" and "combating corruption and bribery" are also described. As we consider these topics important but, in our opinion, secondary as regards MBB's sustainability strategy, they will be discussed only briefly. Please see the table at the end of this section for an overview of key non-financial indicators.

Environmental issues

The responsible use of natural resources is an important topic at all levels of the MBB Group, as operational decisions at our subsidiaries always have ecological consequences. This applies to the use of raw materials and materials as well as to the energy efficiency of the individual subsidiaries, but also in particular to the effects of our products and services on the environmental protection goals of our customers. Many MBB companies make an important contribution to environmental protection through the responsible use of resources and a high level of energy efficiency and therefore have a high level of interest in this topic for strategic reasons alone.

Friedrich Vorwerk pursues a holistic approach in its project business and manages projects through all phases of the project cycle. This allows long-term utilization and environmental aspects to be taken into account. Since infrastructure projects by definition involve interventions in existing structures, our activities have a direct impact on people and the environment. To minimize the resulting impact, we attach particular importance to forward-looking and comprehensive planning. Environmental impacts include land consumption, soil excavation, interference with the water balance, the consumption of energy, water and raw materials, and the generation of noise, dust, vibrations, emissions, wastewater and waste. These factors vary depending on the type and scope of a project. As a specialist in horizontal drilling, Friedrich Vorwerk is, for example, able to lay power lines for the landscape in a minimally invasive way. The aim is to protect and preserve the natural environment in the best possible way by integrating the special features of each project into an individual project management. The extensive environmental protection activities required for the large-scale projects carried out by Friedrich Vorwerk are usually laid down in a legally binding form in a landscape conservation plan. In Germany, this plan presents the measures that are planned for a project that requires interventions in nature and the landscape in the immediate area of the project or its immediate surroundings in order to compensate for or minimize these interventions. These measures are part of the planning documents required for the approval of a project and become legally binding with the project's zoning decision. In the case of larger projects, these measures include, for example, extensive renaturation and recultivation measures as well as landscape maintenance. In the case of smaller projects, however, they also include, for example, the implementation of tree protection measures, particularly in inner-city areas, which are also taken in coordination with the green space of-fices.

Furthermore, Friedrich Vorwerk pursues the goal of increasing the cost-effectiveness and efficiency of its vehicle fleet and technical equipment. Thus, fuel consumption and downtimes are constantly analyzed and fleet management is adjusted accordingly. Old vehicles, machines and equipment are constantly being replaced with new, more efficient and lower-emission ones, thereby reducing both pollutant emissions and noise emissions.

Energy efficiency and sustainability are taken into account in the procurement of materials, and we expect our suppliers and service providers to meet the same environmental standards as we do. To this end,

environmental certificates and indicators are requested from potential suppliers in the purchasing process and evaluated in addition to quality, delivery time and price in the procurement process.

Friedrich Vorwerk ensures through regular training of employees in all divisions that they have a high level of environmental awareness, observe the systems for waste separation and disposal, generally use all resources sparingly and comply with the applicable operating instructions for handling hazardous and water-polluting substances.

At **Delignit**, strategic considerations regarding environmental protection also play a central role: Wood is ecologically unique as a material and energy raw material and represents the main raw material source for Delignit. Accordingly, Delignit supports the initiative "Using wood responsibly" of the Association of the German Wood-Based Panel Industry (Verband der Deutschen Holzwerkstoffindustrie e.V.). Through this, and particularly due to the renewable character of this main raw material, Delignit meets the definition of ecological sustainability in an exemplary manner. In addition, the use of wood as a substitute for products made from non-renewable raw materials is active climate protection. For example, beech wood weighs only 1/10 of structural steel with the same dimensions, but has 1/3 of its strength. The use of Delignit beech wood in the automotive industry thus reduces the CO₂ emissions of fossil resources. For many of our customers, the environmental balance plays an essential role. When different application solutions based on different materials are available, the sustainability of the Delignit product can be the deciding factor.

Aumann also makes a significant contribution to emission reduction and environmental protection. Aumann offers specialized machinery and automated manufacturing solutions that enable automotive manufacturers to mass-produce, for example, highly efficient and technologically advanced e-motors with superior power-to-weight ratios. In addition to solutions for e-motor components, Aumann also offers special machines and production lines for the manufacture of automotive energy storage systems and hybrid modules as well as complete electric powertrains. But Aumann's traditional business area also makes a significant contribution to reducing emissions. For example, Aumann's facilities for the production of drive components for internal combustion engines, such as gearboxes, assembled camshafts, cylinder activation and deactivation modules or lightweight components, make a significant contribution to reducing their customers' fleet consumption and CO₂ emissions.

Not least due to increasing customer demand, the other companies in our Group are making their contribution to our environment, thus meeting the demand for responsible action and sustainable products. For example, the foams of **CT Formpolster** are certified according to OekoTex 100, Class 1 for babies. In addition, the foams have the test mark "LGA tested". Just as with CT Formpolster, the formulations used at **OBO** are continuously improved in order to exclude the use of materials that are hazardous to health as far as possible. Our subsidiaries also set a good example in the use and disposal of waste. Most of the waste from CT Formpolster is put to good use, for example as undercarpet material. At OBO, the topic of waste avoidance is of great importance. While in the past up to 20% waste was generated due to production, a new extraction and briquetting system has been in operation since 2018, with which significant parts of the waste are compressed, on the one hand to reduce logistics costs and on the other hand to feed the compressed material to a use as insulation material. **Hanke** continuously develops and implements measures to reduce energy and water consumption and to recycle scrap material.

DTS, as an operator of its own ISO 27001-certified high-performance data centers, pays particular attention to efficient energy use. In the past, for example, cooling systems were replaced by modern, highly efficient turbo compressors, which have significantly reduced energy consumption. Whenever the company's own data center capacity is expanded, the latest findings in air-conditioning technology are taken into account with a view to maximum efficiency.

Significant environmental risks associated with the products and services of the subsidiaries result from accidents and hazards that are unlikely but cannot be completely ruled out. The theoretical case of an accident affecting environmental aspects is countered by established processes in the individual subsidiaries. We attach particular importance to high quality requirements for our suppliers and high quality standards.

Five of MBB's seven subsidiaries are ISO 50001 certified and thus fulfill the internationally recognized basic principles of an energy management system. This corresponds to over 90% of Group sales and EBITDA. Four of our subsidiaries, and thus over 80% of Group sales and EBITDA, are ISO 14001 certified and thus also meet the relevant standards in the area of environmental management.

Employee matters

The protection and respect of every human being is a top priority in the MBB Group. Compliance with internationally applicable human rights and labor standards is a matter of course for us. We condemn any form of discrimination, for example on the basis of ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation.

The most important resource of our group of companies are our employees. Therefore, the recruitment of new, motivated employees as well as a high level of satisfaction and motivation as well as a low fluctuation of the existing workforce is a central component of our sustainability strategy. We want to be an attractive employer for employees and junior staff.

MBB sees attracting qualified employees as its biggest challenge, and it is one that we actively address. In addition to conventional job adverts and recruitment consultants, we are increasingly also achieving this by using social media and positioning MBB and its individual subsidiaries as attractive employers. We intend to continue this approach moving ahead. Our Group currently has 3,541 employees. In addition, we employ 53 temporary workers as of December 31, 2021, a large number of whom we have regularly taken on as regular employees in the past, provided they are suitable in principle.

MBB considers the development and challenge of its employees to be an important success factor. The qualification of our employees is achieved through training and further education in all areas of the Group, as well as through high occupational health and safety standards and the targeted promotion of junior management. For example, MBB currently employs 263 apprentices or trainees on a dual course of study (previous year: 245). The distribution per subsidiary varies; the ratio of trainees to permanent employees at DTS is a pleasing 17%. As a matter of principle, we aim to take on all trainees (including those on a dual course of study) who have completed their training with us as permanent employees. This is reflected in impressive results: At DTS, for example, around one third of employees are recruited from former trainees and dual students.

In order to remain an attractive employer, all our subsidiaries invest in their employees, whether through direct support for employee training or through the modern training center at Aumann. The pandemic-related widespread introduction of home working in all departments where presence was not mandatory has shown that the required hygiene regulations could be implemented without disrupting normal company operations. As far as possible, the opportunities for our employees to work from home will continue to be available beyond the pandemic. In addition, some subsidiaries are providing their employees with free fruit and offering health-promoting workshops in cooperation with various health insurers.

Gender equality is a particular concern for us. Women, men and intersexuals have equal opportunities in our company. We strive for gender balance at all hierarchical levels. Due to the business model's inherent focus on technical professions, women are still underrepresented both in studies and in the application process, making the latter a challenge when filling positions.

When selecting managers, the managing directors always pay attention to diversity and take into account male and female applicants as well as applicants of different genders. In the final appointment, the focus is always on the professional and personal qualifications of the respective person.

The MBB Group currently employs 19.2% female staff. One person of the female gender is employed at the first management level, while 30 persons of the female gender are employed at the second management level. Compared to the previous year, the Group has thus been able to significantly increase the proportion of female employees and the number of female managers.

MBB attaches great importance to the design of a safe working environment in view of the fact that the majority of its subsidiaries are active in the manufacturing sector. Employees in production are generally exposed to an increased health risk. For this reason, we set high standards for safety, especially when dealing with hazardous substances and other sources of danger. We promote our employees' skills and awareness of safe working practices by offering regular training and continuing education.

Reportable occupational accidents are recorded and evaluated at regular intervals. The number of reportable occupational accidents increased from 84 in the previous year to 130 in the past fiscal year. As in the previous year, the number of fatal occupational accidents was zero. Our goal is to reduce the number of occupational accidents by introducing new safety concepts and further developing existing ones.

Friedrich Vorwerk fundamentally restructured the HSEQ (Health, Safety, Environment and Quality) department last year. In addition to bundling the group-wide resources in one department, additional specialists for occupational safety were recruited. The primary task of this department is to maintain and further develop the joint integrated management system and to create and implement uniform standards and methods in the areas of quality, occupational health and safety, and the environment and energy. Whereas, in the past, external specialists for occupational safety were relied on to a not insignificant extent due to the company's nationwide presence on projects, Friedrich Vorwerk will in future be able to ensure that almost all projects as well as all company divisions are supervised by its own staff. In this way, the relationship of trust with our employees, which is necessary for the development of these important topics, can be further strengthened and the sustainable further development of the HSEQ culture can be achieved.

Social issues, respecting human rights and combating corruption and bribery

Social issues: Dealing with our customer and supplier stakeholders respectfully and in a socially responsible manner is one of our guiding principles. We firmly believe that continuous product innovation, acting fairly with respect to suppliers and entering into a constant dialogue with our customers are key elements of our business success. The MBB Group companies are involved in voluntary social projects at municipal level. In addition to their role as an employer, they also contribute to the good of these communities through, for example, cooperations with schools or sports clubs. These social activities are not managed centrally, but rather are organised by the responsible officers at the respective subsidiaries.

Respecting human rights: MBB's subsidiaries have deep roots in Germany and Europe, and respect the human rights of employees, suppliers and business partners in their day-to-day operations. We have not identified any risks of non-standard remuneration, inappropriate working hours, restrictions on the freedom of assembly or equal rights at either our subsidiaries or their suppliers. MBB is committed to upholding internationally recognized human rights standards and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business activities or its supply chain.

Combating corruption and bribery: We have always considered compliance with legal provisions and guidelines, in addition to correct conduct in business transactions, to be a core component of sustainable corporate governance. In order to uphold this long-standing principle, compliance management systems were established at our subsidiaries and are still being developed on an ongoing basis. The respective Codes of Conduct and anti-corruption policies serve as frameworks for activities both within the company and in respect of third parties. The respective Codes of Conduct are specified and defined in greater detail through guidelines and instructions. Using cyclical reporting structures, the respective management of the various Group companies is required to report regularly to the Executive Management of MBB SE on the effectiveness of the respective compliance management system and any incidents occurring.

Negative consequences and risks in connection with business activities

In our opinion, there are no material risks in connection with our business activities, our products or our services that could have serious negative consequences in terms of employee, environmental or social concerns, or that could lead to a violation of human rights and to corruption.

Overview of key non-financial indicators

	2021	2020
Employees		
Number of female executives (first and second level)	31	22
Share of female employees in relation to total employees	19.2%	16.7%
Share of temporary workers in relation to total employees	1.5%	3.2%
Number of apprentices	218	203
Number of employees in cooperative study programs	45	42
Reportable work accidents	130	84
Deadly work accidents	0	0
Environment		
Energy intensity in MWh / €m revenue	275	263
Water intensity in m ³ / €m revenue	418	471
Waste intensity in t / €m revenue	5.2	8.0
Social		
Charitable donations and sponsoring in €k	69	151

EU Taxonomy

In accordance with the EU Taxonomy Regulation and the supplementary delegated acts, we are reporting below for the first time the proportion of our taxonomy-eligible Group-wide revenue, capital expenditure, and operating expenditure for the financial year 2021 in relation to the environmental objectives "climate change mitigation" and "climate change adaptation" currently elaborated in the EU Taxonomy.

The aim of the EU Taxonomy is to encourage investment flows from the financial sector to companies engaged in environmentally sustainable activities. It is thus intended to help the EU implement the European Green Deal. In doing so, the EU Taxonomy is intended to create a common understanding of the environmental sustainability of activities and investments. Furthermore, the regulation obliges companies to report on these economic activities. In the EU legislation, the first taxonomy environmental objectives "climate change mitigation" and "climate change adaptation" have been deposited with criteria in the middle of 2021.

For financial year 2021, the regulation with reporting facilitations will come into force, which is why the following disclosures only refer to the taxonomy eligibility of economic activities and not to their taxonomy compliance. In addition, the present disclosures only relate to the environmental goals "climate change mitigation" and "climate change adaptation".

Procedure in impact analysis

In order to determine taxonomy eligibility, the activities eligible for taxonomy in the MBB Group were identified in the first step with reference to the NACE codes indicated in Annexes 1 and 2 of the legal act on Regulation (EU) 2020/852. In addition, the definitions of the indicators revenue, operating expenditure (OpEx) and capital expenditure (CapEx) listed in Annex 1 to the Regulation were analyzed and the data for the respective reference figures (denominator of the indicator) were collected. In the area of operating expenses in particular, the cost types relevant here were identified. Subsequently, approaches to determine revenue, operating expenditure and capital expenditure that relate to taxonomy-eligible activities were defined.

Due to the ongoing dynamic developments with regard to the wording of the EU Taxonomy Regulation, there are currently still uncertainties of interpretation with regard to the wording and terms contained therein. Therefore, there may be adjustments to the impact analysis in the future.

Identified taxonomy-eligible economic activities

The following economic activities were identified as taxonomy-eligible:

Friedrich Vorwerk

- Transmission and distribution of electricity
- Transmission and distribution networks for renewable low-carbon gases
- Production of renewable energy technologies
- Construction, expansion and operation of systems for collection, treatment and supply of water
- District heating /cooling distribution

The European Commission has enacted the inclusion of nuclear power and natural gas in the taxonomy for sustainable economic activities through the so-called delegated act of February 2, 2022. However, the activities in the field of natural gas that are relevant for Friedrich Vorwerk are subject to strict conditions that have to be met at the present time in order to be considered taxonomy-eligible.

Whether the investments made from the point of view of our business partners are taxonomy-compliant can therefore not be finally clarified at the present time. Such activities are therefore generally reported as not taxonomy-compliant in accordance with the delegated act of February 2, 2022. This includes large parts of the activities of Friedrich Vorwerk, which may nevertheless be in line with the environmental objectives of the European Union.

Aumann

- Production of low carbon dioxide transport technologies

Delignit

- Production of low carbon dioxide transport technologies

Analysis and calculation

The assessment of revenue for taxonomy eligibility is based on revenue as defined and reported in the consolidated financial statements.

The definition of the EU taxonomy for determining the relevant operating expenditure includes expenses for research and development, building refurbishment measures, short-term leasing, maintenance and repair, as well as other direct expenses in connection with the daily maintenance of property, plant and equipment, which are reported in the consolidated income statement under other operating expenses.

At Friedrich Vorwerk, in order to determine the proportion of taxonomy-eligible operating expenditure for a project that has taxonomy-eligible revenue, the related operating expenses were counted proportionately as taxonomy-eligible.

Capital expenditure includes additions to property, plant and equipment as well as intangible assets (including acquisitions, excluding goodwill in accordance with the EU taxonomy).

Results of analysis

The following table shows the taxonomy-eligible key figures for the MBB Group.

EU-Taxonomy	Total (€ million)	Eligible (€ million)	Eligible (%)
Revenue	680.3	172.0	25.3%
Capital expenditure	39.8	11.6	29.1%
Operating expenditure	22.4	3.9	17.2%

Report on expected developments

Notwithstanding the currently foreseeable consequences of the dramatic developments in Ukraine, MBB expects revenues of more than €740 million in 2022, with an EBITDA margin of at least 10%. Moreover, MBB sees very good M&A opportunities for 2022 and plans to grow through both add-on as well as stand-alone acquisitions into new business areas.

Berlin, March 31, 2022

The Executive Management of MBB SE

MBB SE Condensed Annual Financial Statements for 2021

Income statement (HGB)	2021 audited €k	2020 audited €k
Revenue	2,149	1,902
Other operating income	217,310	1,356
Cost of purchased services	0	521
Staff costs	20,651	3,139
Depreciation and amortization of intangible assets and property, plant and equipment	93	98
Other operating expenses	19,274	4,006
Income from equity investments	18,945	1,314
Income from other securities and loans of financial assets	11,108	5,504
Other interest and similar income	103	265
Write-downs on securities	966	3,805
Interest and similar expenses	811	116
Tax expense	1,705	566
Net profit (+) / loss (-) for the year	206,113	-1,910
Profit carried forward from the previous year	181,856	188,335
Dividends paid	-10,441	-4,153
Expenses from the withdrawal of shares	0	0
Purchase of treasury shares	-11,263	-416
Retained earnings	366,265	181,856
Statement of financial position (HGB)	2021 audited €k	2020 audited €k
Assets		
Intangible assets	2	59
Property, plant and equipment	94	98
Financial assets	158,678	120,283
Non-current assets	158,774	120,440
Receivables and other assets	9,277	3,840
Securities	204	112
Cash in hand and bank balances	230,237	84,096
Current assets	239,719	88,048
Prepaid expenses	22	52
Total assets	398,515	208,540
Equity and liabilities	€k	T€
Equity	392,540	207,370
Provisions and accruals	4,581	515
Liabilities	1,395	655
Total Equity and liabilities	398,515	208,540

Appropriation of earnings

The HGB net profit for the year of €206,112,842.24 is reported with the profit carryforward of €181,856,124.83 less the purchase of treasury shares of €11,263,454.89 as retained earnings. As in previous years, the Executive Directors and the Board of Directors will propose to the Annual General Meeting the payment of a dividend. The proposed dividend shall be 99 € cents per dividend-bearing share plus an additional special dividend in the same amount, i.e. €1.98 per share.

IFRS Consolidated Financial Statements for 2021

IFRS consolidated statement of profit or loss	Notes	Jan 1 - Dec 31, 2021 €k	Jan 1 - Dec 31, 2020 €k
Revenue	III.1.	680,329	689,806
Increase (+), decrease (-) in finished goods and work in progress		1,394	-2,467
Operating performance		681,723	687,338
Income from initial consolidation		203	0
Income from joint ventures and associates	III.2.	5,122	10,551
Other operating income	III.3.	24,263	15,720
Total performance		711,312	713,609
Cost of raw materials and supplies		-228,620	-213,184
Cost of purchased services		-145,780	-159,396
Cost of materials		-374,400	-372,580
Wages and salaries		-187,665	-169,924
Social security and pension costs		-41,084	-42,161
Staff costs		-228,749	-212,084
Other operating expenses	III.4.	-52,265	-58,973
Earnings before interest, taxes, depreciation and amortization (EBITDA)		55,897	69,972
Depreciation and amortization expense	III.5.	-36,894	-39,996
Earnings before interest and taxes (EBIT)		19,003	29,976
Finance income	III.6.	112	436
Finance costs	III.7.	-2,963	-3,867
Earnings attributable to non-controlling interests		-3,177	-3,183
Net finance costs		-6,028	-6,614
Earnings before taxes (EBT)		12,975	23,362
Income tax expense	III.8.	-10,704	-11,332
Other taxes	III.8.	-1,222	-1,310
Profit or loss for the period		1,049	10,720
Non-controlling interests		-12,619	1,965
Consolidated net profit		-11,570	12,685
Earnings per share (in €)	III.9.	-1.96	2.14
Diluted earnings per share (in €)	III.9.	-1.61	2.18

IFRS consolidated statement of comprehensive income	Notes	Jan 1 - Dec 31, 2021 €k	Jan 1 - Dec 31, 2020 €k
Consolidated net profit		-11,570	12,685
Non-controlling interests		12,619	-1,965
Profit or loss for the period		1,049	10,720
Items that may be subsequently reclassified to profit and loss			
Fair value changes bonds and gold		270	87
Currency translation differences	II.11.4	367	-1,730
Items that will not be subsequently reclassified to profit and loss			
Fair value changes shares		41,966	4,939
Reserve for pensions	II.11.4	1,962	311
thereof deferred taxes		-622	-91
Other comprehensive income after taxes		43,942	3,516
Comprehensive income for the reporting period		44,991	14,236
thereof attributable to:			
- Shareholders of the parent company		26,876	15,397
- Non-controlling interests		18,115	-1,162

Statement of financial position	Notes	Dec 31, 2021	Dec 31, 2020
Assets (IFRS)		audited	audited
		€k	€k
Non-current assets			
Concessions, industrial property and similar rights	II.3.	24,344	21,731
Goodwill	II.2.	46,141	44,449
Advance payments	II.3.	4	1,149
Intangible assets		70,489	67,330
Land and buildings including buildings on third-party land	II.4.	90,756	77,091
Technical equipment and machinery	II.4.	62,862	52,544
Other equipment, operating and office equipment	II.4.	27,067	23,816
Advance payments and assets under development	II.4.	2,999	11,575
Property, plant and equipment		183,684	165,026
Joint ventures and associates	II.5.	8,900	8,715
Other participations	II.5.	1	0
Long-term securities	II.5.	201,309	116,005
Other loans	II.5.	1,310	838
Financial assets		211,519	125,559
Deferred tax assets	II.10.	17,691	11,832
		483,383	369,747
Current assets			
Raw materials and supplies	II.6.	20,890	16,286
Work in progress	II.6.	8,399	6,350
Finished goods and commodities	II.6.	11,210	10,664
Advance payments		5,497	4,949
Inventories		45,996	38,249
Trade receivables	II.7.	58,447	64,312
Contract assets	II.8.	119,168	98,727
Other current assets	II.9.	24,081	17,472
Trade receivables and other current assets		201,695	180,511
Gold	II.5.	4,153	3,979
Securities	II.5.	266	452
Derivative financial instruments	II.5.	52	0
Financial assets		4,471	4,431
Cash in hand	V.	108	74
Bank balances	V.	416,668	209,654
Cash in hand, bank balances		416,775	209,728
		668,937	432,920
Total assets		1,152,320	802,667

Statement of financial position	Notes	Dec 31, 2021	Dec 31, 2020
Equity and liabilities (IFRS)		audited	audited
		€k	€k
Equity			
Issued capital	II.11.1	5,847	5,932
Capital reserve	II.11.2	479,089	253,180
Legal reserve	II.11.3	61	61
Retained earnings and other comprehensive income	II.11.4	96,124	95,684
Non-controlling interests	II.11.5	227,357	144,835
		808,479	499,692
Non-current liabilities			
Liabilities to banks	II.13.	40,563	37,441
Lease liabilities	II.16.	13,488	13,213
Liabilities from participation rights	II.13.	10,213	10,213
Liabilities to non-controlling interests	II.13.	1,304	2,711
Other liabilities	II.14.	5,111	7,020
Pension provisions	II.12.	28,255	28,124
Other provisions	II.15.1	2,447	1,468
Deferred tax liabilities	II.10.	24,067	20,811
		125,447	121,001
Current liabilities			
Liabilities to banks	II.13.	25,437	17,495
Lease liabilities	II.16.	8,452	9,449
Trade payables	II.13.	53,364	47,132
Contract liabilities	II.13.	34,421	21,780
Liabilities to non-controlling interests	II.13.	4,997	4,894
Other liabilities	II.14.	30,737	15,681
Accruals	II.15.1	23,634	26,348
Current tax liabilities	II.15.2	12,939	11,767
Other provisions	II.15.1	24,414	27,429
		218,394	181,974
Total equity and liabilities		1,152,320	802,667

Consolidated statement of cash flows	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
	€k	€k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	19,003	29,976
Depreciation and amortization expense	36,894	39,996
Increase (+), decrease (-) in provisions	-3,316	10,342
Losses (+), Gains (-) from disposal of non-current assets	-436	422
Income from joint ventures and associates	-5,122	-10,551
Other non-cash expenses and income	-220	-896
Adjustments for non-cash transactions	27,801	39,312
Increase (-), decrease (+) in inventories, trade receivables and other assets	-7,058	29,783
Decrease (-), increase (+) in trade payables and other liabilities	13,288	-45,432
Change in working capital	6,230	-15,650
Income taxes paid	-19,600	-9,007
Interest received	112	436
Dividend proceeds from joint ventures and associates	4,496	10,934
Disclosure correction (reclassification)	21,080	0
Cash flow from operating activities	59,122	56,001
2. Cash flow from investing activities		
Investments (-), divestments (+) intangible assets	-8,917	-6,909
Investments (-), divestments (+) property, plant and equipment	-29,584	-27,256
Investments (-), divestments (+) long-term financial assets and securities	-43,424	-19,473
Business combinations (less cash received)	-3,196	-563
Cash flow from investing activities	-85,122	-54,199
3. Cash flow from financing activities		
Proceeds from IPO of Friedrich Vorwerk Group SE	306,000	0
Payments for transaction costs from the issue of equity instruments (recognized in profit and loss)	-21,080	0
Payments for transaction costs from the issue of equity instruments (recognized in equity)	-12,650	0
Profit distribution to shareholders	-10,441	-4,153
Payments to non-controlling interests	-10,609	-6,141
Payments for (-), proceeds from disposal of (+) shares without change of control	-2,016	-2,208
Purchase of treasury shares	-11,349	-425
Proceeds from borrowings	23,633	7,827
Repayments of loans	-14,746	-18,583
Payments for lease liabilities	-10,420	-9,445
Interest payments	-3,475	-2,767
Cash flow from financing activities	232,849	-35,895
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	206,849	-34,093
Effects of changes in foreign exchange rates (non-cash)	198	-84
Cash and cash equivalents at start of reporting period	209,728	243,905
Cash and cash equivalents at end of period	416,775	209,728

Consolidated statement of cash flows	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
	€k	€k
Composition of cash and cash equivalents		
Cash in hand	108	74
Bank balances	416,668	209,654
Reconciliation to liquid funds as of Dec 31		
Cash and cash equivalents at end of period	416,775	209,728
Gold	4,153	3,979
Securities	201,574	116,457
Liquid funds as of Dec 31	622,503	330,165

Statement of changes in consolidated equity											
	Issued capital	Capital reserve	Legal reserve	Retained earnings and other comprehensive income				Retained earnings	Attributable to MBB SE shareholders	Non-controlling interests	Consolidated equity
				Currency translation difference	Fair value reserve	Reserve for pensions	Other reserve				
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Jan 1, 2020	5,941	253,260	61	-478	12,543	-3,112	-2,741	76,074	341,548	133,004	474,552
Dividends paid	0	0	0	0	0	0	0	-4,153	-4,153	-408	-4,561
Subtotal	5,941	253,260	61	-478	12,543	-3,112	-2,741	71,921	337,395	132,596	469,991
Amounts recognized in other comprehensive income	0	0	0	0	4,205	101	0	0	4,306	940	5,246
Currency translation difference	0	0	0	-1,594	0	0	0	0	-1,594	-136	-1,730
Consolidated net profit	0	0	0	0	0	0	0	12,685	12,685	-1,965	10,720
Total comprehensive income	0	0	0	-1,594	4,205	101	0	12,685	15,397	-1,161	14,236
Purchase of treasury shares	-8	-416	0	0	0	0	0	0	-424	0	-424
Acquisition of non-controlling interests	0	0	0	0	0	0	0	1,685	1,685	-3,894	-2,209
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	17,762	17,762
Other changes	0	336	0	0	0	0	467	0	803	-467	336
Dec 31, 2020	5,932	253,180	61	-2,072	16,748	-3,010	-2,274	86,291	354,856	144,835	499,692
Dividends paid	0	0	0	0	0	0	0	-10,441	-10,441	-8,837	-19,278
Subtotal	5,932	253,180	61	-2,072	16,748	-3,010	-2,274	75,850	344,415	135,998	480,415
Amounts recognized in other comprehensive income	0	0	0	0	37,769	614	0	0	38,383	5,192	43,575
Currency translation difference	0	0	0	63	0	0	0	0	63	303	367
Consolidated net profit	0	0	0	0	0	0	0	-11,570	-11,570	12,619	1,049
Total comprehensive income	0	0	0	63	37,769	614	0	-11,570	26,876	18,115	44,991
Purchase of treasury shares	-85	-11,263	0	0	0	0	0	0	-11,349	0	-11,349
IPO and capital increase of Friedrich Vorwerk Group SE	0	247,680	0	0	0	0	0	0	247,680	58,320	306,000
Transaction costs from the issue of equity instruments	0	-11,431	0	0	0	0	0	0	-11,431	-1,218	-12,650
Other changes	0	924	0	39	0	7	1,336	-17,377	-15,071	16,142	1,071
Dec 31, 2021	5,847	479,089	61	-1,970	54,517	-2,390	-937	46,903	581,120	227,357	808,479

Notes to the Consolidated Financial Statements for 2021

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

MBB SE is headquartered at Joachimsthaler Str. 34, 10719 Berlin, Germany. It is entered in the commercial register of the Berlin-Charlottenburg District Court under HRB 165458. MBB SE has been listed since May 9, 2006 and included in the Prime Standard of the Frankfurt Stock Exchange under the securities identification number A0ETBQ since June 20, 2008. It is the parent company of the MBB Group.

MBB SE is a family-owned, medium-sized group that has expanded continuously since its formation through organic growth and company acquisitions. The business model focuses on the sustainable value growth of the individual companies and the Group as a whole.

The consolidated financial statements of MBB SE for the 2021 financial year were approved by the Board of MBB SE on March 31, 2022 and published on March 31, 2022.

1.2 Accounting policies

Due to its admission to the regulated market, MBB SE prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements for the year ended 31 December 2021 are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the EU and effective at the end of the reporting period. The term "IFRS" includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRS IC). The consolidated financial statements are supplemented by a combined management report and Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

In fiscal year 2021, there were no significant changes in accounting standards that have an impact on these consolidated financial statements.

The following newly issued standards, standards endorsed in the year under review or amended standards or interpretations that were not yet effective were not applied early in these consolidated financial statements. Where amendments affect MBB, their future effect on the consolidated financial statements is still being examined or is not material.

Regulation	Title	Application	Effect
IFRS 17	Insurance Contracts	01/01/2023	no material effects
IAS 1	Amendment - Classification of Liabilities	01/01/2023	no material effects
IFRS 3	Amendment - Reference to the Conceptual Framework	01/01/2022	no material effects
	Annual Improvements 2018-2020	01/01/2022	no material effects
IAS 16	Amendment - Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022	no material effects
IAS 37	Amendment - Onerous Contracts - Cost of Fulfilling a Contract	01/01/2022	no material effects
Diverse	Amendment - Interest Rate Benchmark Reform	01/01/2021	no material effects
IFRS 4	Amendment - Deferral of effective date of IFRS 9	01/01/2021	no material effects
IFRS 16	Amendment - COVID-19-related rent concessions	03/01/2021	no material effects

Any standards that are not listed in the overview are of secondary importance to MBB.

1.3 Business combinations

A total of two business combinations were carried out in the financial year:

Korupp

On March 1, 2021, MBB SE acquired all shares in Korupp GmbH, Twist, one of the leading providers of services and products in cathodic corrosion protection, through its subsidiary Friedrich Vorwerk Group SE. With the acquisition, Friedrich Vorwerk secures the technological expertise and personnel capacities to sustainably protect underground transport pipelines and storage systems against corrosion. The transaction was completed and the company was consolidated for the first time on April 1, 2021. This business combination resulted in a positive difference (goodwill) of €314 thousand.

The cost can be attributed to the assets purchased and liabilities assumed, measured at fair value, as follows:

KORUPP GmbH	Carrying amount before PPA	Fair Value according to PPA
€k		
Assets and liabilities		
Intangible assets	4	4
Property, plant and equipment	95	155
Current assets	751	756
Cash and cash equivalents	645	645
Provisions and liabilities	278	338
Deferred tax liabilities	0	1
Identified acquired net assets	1,217	1,221
Calculation of difference		
Purchase price for acquired shares		1,535
Total acquisition costs		1,535
Identified acquired net assets (100%)		1,221
Goodwill (+)		314
Net cash outflow from the acquisition		890

The business combination was carried out using the purchase method. The value of the revalued equity amounted to €1,221 thousand at the date of initial consolidation. The current receivables acquired as part of the transaction, which mainly comprise trade receivables and tax receivables, have a fair value of €322 thousand, which also corresponds to the gross value of the receivables. The best estimate made at the acquisition date of the contractual cash flows that are not expected to be collectible amounts to €0 thousand. Furthermore, there were no contingent assets or liabilities. Incidental transaction costs amounted to €17 thousand. Since the date of initial consolidation, sales of €3,766 thousand and a profit of €672 thousand have been recognized from the acquired company. If the company had already been included in the Group at the beginning of 2021, projections indicate that revenue of €4,155 thousand and a profit of €794 thousand from this company would have been included in the consolidated financial statements. The purchase price for the acquired shares amounted to €1,535 thousand and was fully paid in cash.

The goodwill arising mainly results from efficiency and synergy gains. No tax deductibility is expected for the goodwill resulting from the acquisition.

Gottfried Puhlmann

On December 14, 2021, MBB SE acquired 75% of shares in Gottfried Puhlmann GmbH, Marne, as well as in Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, through its subsidiary Friedrich Vorwerk Group SE. Gottfried Puhlmann is a family-owned company with a long tradition in the field of energy infrastructure with a focus on cable construction and district heating and therefore ideally complements the existing range of services of Friedrich Vorwerk. Following a capital increase at Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, the share held by Friedrich Vorwerk SE & Co. KG holds in the company amounts to 96.43%. The companies were included in the consolidated financial statements for the first time as of December 31, 2021. This business combination resulted in a positive difference (goodwill) of €1,377 thousand. The following table summarizes the assets and liabilities of both companies.

The cost can be attributed to the assets purchased and liabilities assumed, measured at fair value, as follows:

Gottfried Puhlmann GmbH and Gottfried Puhlmann GmbH Havelländische Bauunternehmung €k	Carrying am- ount before PPA	Fair Value ac- cording to PPA
Assets and liabilities		
Intangible assets	2	510
Property, plant and equipment	6,117	10,434
Financial assets (non-current)	0	85
Deferred tax assets	219	1,458
Current assets	7,534	8,571
Cash and cash equivalents	166	166
Provisions and liabilities	14,602	17,981
Deferred tax liabilities	0	1,780
Identified acquired net assets	-564	1,464
Calculation of difference		
Purchase price for acquired shares		2,475
Total acquisition costs		2,475
Non-controlling interests		366
Identified acquired net assets (100%)		1,464
Goodwill (+)		1,377
Net cash outflow from the acquisition		2,309

The business combination was carried out using the purchase method. The value of the revalued equity amounted to €1,464 thousand at the date of initial consolidation. The current receivables acquired as part of the transaction, which mainly comprise trade receivables and tax receivables, have a fair value of €1,544 thousand, which also corresponds to the gross value of the receivables. The best estimate made at the acquisition date of the contractual cash flows that are not expected to be collectible amounts to €0 thousand. Furthermore, there were no contingent assets or liabilities. Incidental transaction costs amounted to €52 thousand. Since the date of initial consolidation, sales of €0 thousand and a profit of €0 thousand have been recognized from the acquired company. If the company had already been included in the Group at the beginning of 2021, projections indicate that revenue of €32,419 thousand and a profit of €2,804 thousand from this company would have been included in the consolidated financial statements. The purchase price for the acquired shares amounted to €2,475 thousand and was fully paid in cash.

The goodwill arising mainly results from efficiency and synergy gains. No tax deductibility is expected for the goodwill resulting from the acquisition. In the measurement of non-controlling interests, the option to measure non-controlling interests in proportion to net assets was exercised.

The purchase price allocation used for the initial consolidation is provisional, as information may become available after the purchase price allocation has been prepared that would lead to a subsequent adjustment within one year of acquisition. The changes may arise in particular in the measurement of intangible assets and deferred taxes.

Overall impact of business combinations

The consolidated profit includes profits of €672 thousand from the companies included in the consolidated financial statements for the first time in the financial year. Revenue include €3,766 thousand from the subsidiaries consolidated for the first time in the financial year. If the business combinations had all taken place on January 1, 2021, projections show that consolidated revenue would have increased by €32,809 thousand and consolidated profit by €2,682 thousand (before non-controlling interests).

Goodwill of €1,692 thousand was recognized in total from the business combinations.

Companies consolidated for the first time were consolidated as of the date of acquisition or a later date, provided that there were no material changes compared with the date of acquisition.

1.4 Company law changes and structural changes in 2021

On January 16, 2021, Friedrich Vorwerk SE & Co. KG and the co-shareholder of SKS Straßenbau GmbH, Tostedt, both holding a share of 50% have signed a voting agreement according to which the criteria for

full consolidation pursuant to IFRS 10.10 are met. As a result, the company was retroactively fully consolidated for the first time as of January 1, 2021. The initial consolidation resulted in an income from the remeasurement of the old shares in the amount of €203 thousand, which is reported under income from initial consolidation.

On March 25, 2021, the MBB subsidiary Friedrich Vorwerk Group SE completed an initial public offering in the Prime Standard of the Frankfurt Stock Exchange. A total of 9,200,000 shares were placed as part of the IPO. Of these, 4,800,000 shares originated from MBB SE. The shareholding of MBB thus decreased to 36.00% (December 31, 2020: 66.67%). MBB SE remains the largest shareholder of Friedrich Vorwerk Group SE and, based on a shareholders' agreement on the uniform exercise of voting rights with another shareholder, continues to control Friedrich Vorwerk Group SE, which is fully consolidated.

In the first quarter 2021, the subsidiary DTS IT AG acquired further 14.34% of the shares in ISL Internet Sicherheitslösungen GmbH and therefore increasing its shareholding ratio from 66.00% to 80.34%.

As part of a long-term incentive program of the managing director of Hanke Tissue Sp. z o.o., 104 shares in the company were transferred from MBB SE to the managing director of the company at the end of the second quarter 2021. The shareholding ratio of MBB at the balance sheet date is 94.08% (December 31, 2020: 95.84%).

In the second half of 2021, MBB SE acquired a total of 7,580 shares in Aumann AG on the stock exchange at a purchase price of €0.1 million. The shareholding ratio as of the balance sheet date is therefore 40.05% (December 31, 2020: 40.00%).

2. Group of consolidated companies

In addition to the parent company MBB SE, the companies listed below are included in consolidation in the consolidated financial statements. The ownership interests are calculated by multiplying the number of shares held in the respective company. The companies listed in bold hold direct or indirect interests in the companies below them.

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Susidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	40.05
Aumann Beelen GmbH, Beelen, Germany	40.05
Aumann Berlin GmbH, Beelen, Germany ¹	40.05
Aumann Winding and Automation Inc., Clayton, USA	40.05
Aumann Espelkamp GmbH, Espelkamp, Germany	40.05
Aumann Immobilien GmbH, Espelkamp, Germany	40.05
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	40.05
Aumann Technologies (China) Ltd. Changzhou, China	40.05
CT Formpolster GmbH, Löhne, Germany	100.00
Delignit AG, Blomberg, Germany	75.47
Blomberger Holzindustrie GmbH, Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	80.00
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH, Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany	64.27
Friedrich Vorwerk Group SE, Tostedt, Germany	36.00
Friedrich Vorwerk Management SE, Tostedt, Germany	36.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	32.37
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	32.37
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	32.37
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	32.37
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	32.37
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	32.37
European Pipeline Services GmbH, Tostedt, Germany	32.37
Gottfried Puhmann GmbH, Marne, Germany	24.28
Gottfried Puhmann GmbH Havelländische Bauunternehmung, Berlin, Germany	31.22
KORUPP GmbH, Twist, Germany	32.37
SKS Strassenbau GmbH, Tostedt, Germany	16.19
Vorwerk - ASA GmbH, Herne, Germany	32.37
Vorwerk-EEE GmbH, Tostedt, Germany	32.37
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	32.37
Vorwerk Verwaltungs GmbH, Tostedt, Germany	32.37
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	94.08
OBO-Werke GmbH, Stadthagen, Germany	100.00

¹ Business operations of Aumann Berlin GmbH were discontinued at the end of 2020.

The following table shows the associates and joint ventures included in the consolidated financial statements. The ownership interests are stated from the perspective of the respective subgroup parent.

Name and registered office of the company	Ownership interest in %
Joint ventures (Consortiums)	
ARGE Bavaria Loop Süd	33.33
ARGE CCP II Step 1	50.00
ARGE CCP-Projekt Rühlersmoor	50.00
ARGE Deckwerk Norderney 2021	50.00
ARGE DOW Ohrensen K28	50.00
ARGE EGL 442	58.00
ARGE EmCo KÜA	50.00
ARGE ETL 178 Walle - Wolfsburg	50.00
ARGE EUGAL Los 7+8	37.50
ARGE FGL 32 Räpitz - Niederhohndorf	50.00
ARGE Flugplatz WTM IT-Ltg	50.00
ARGE FWT HafenCity / Peute	50.00
ARGE Glasfaserbau Kronprinzenkoog	33.33
ARGE HDD Walle-Wolfsburg	50.00
ARGE Kabeltrasse GSH	40.00
ARGE Katharina	50.00
ARGE Looleitung Epe-Legten	35.00
ARGE NEP Werne RB	33.33
ARGE NWKG K301/K603	50.00
ARGE NWKG K302/K308	50.00
ARGE Reha Südfeld Los 2 BA 3+4	33.33
ARGE STORAG ETZEL VT 8 / VT 16	50.00
ARGE VS Würselen - MCC-I	45.00
ARGE VS Würselen - Vorabmaßnahmen	50.00
ARGE Werne-Schlüchtern	50.00
ARGE Zeelink 3+5 (Beistellung)	50.00
Dach-ARGE Abschnittsweise Außerbetriebsnahme FGL 201.09 & 103.02	50.00
Dach-ARGE DOLWIN 6	45.60
Dach-ARGE Elbchaussee 1. BA	36.00
Dach-ARGE EUGAL Los 5+6	53.35
Dach-ARGE Fehlstellensanierung	50.00
Dach-ARGE Fehlstellensanierung 2021	50.00
Dach-ARGE Fernwärme Bremen	50.00
Dach-ARGE FGL 105	50.00
Dach-ARGE GDRM Anlagen Zeelink	50.00
Dach-ARGE HD-Leitung Iserlohn	52.34
Dach-ARGE Kabeltrasse Ganderkesee - St. Hülfe	50.00
Dach-ARGE Mantelrohrhausbau	50.00
Dach-ARGE Neubau B71n Wedringen	50.00
Dach-ARGE Pipelinesanierung Gascade	50.00
Dach-ARGE RV Ruhrtaalleitung BA 2+3	45.00
Dach-ARGE Stadtbeleuchtung	50.00
Dach-ARGE Stadtbeleuchtung II	50.00
Dach-ARGE TAV	50.00
Dach-ARGE Thyssengas STEAG Leitung	63.70
Dach-ARGE Uferrenaturierung Asseler Sand	37.79
Dach-ARGE ZEELINK Los 3 - 5	25.00
Dach-ARGE Zollvereinring	66.66
Joint Venture ENERGINET Funen (Baltic Pipe)	33.33

Name and registered office of the company	Ownership interest in %
Associates at amortized cost	
S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania	24.00
S.C. Cildro S.A., Drobeta Turnu Severin, Romania	17.90
S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania	17.90

There are significant non-controlling interests in Aumann AG and Friedrich Vorwerk Group SE. MBB's ownership interest in Aumann AG amounts to 40.05% as of the end of the reporting period (previous year: 40.00%) and to 36.00% in Friedrich Vorwerk Group SE (previous year: 66.67%).

Please see note I.5 g) in the notes to the consolidated financial statements for information on the consolidation of Aumann AG and Friedrich Vorwerk Group SE.

With regards to financial information for Aumann AG we refer to Aumann AG published annual report available on <https://www.aumann.com/en/investor-relations/financial-reports/>.

With regards to financial information for Friedrich Vorwerk Group SE we refer to Friedrich Vorwerk Group SE published annual report available on <https://www.friedrich-vorwerk.de/en/investor-relations/financial-reports.html>.

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of MBB SE and its subsidiaries as of December 31 of each financial year. The financial statements of the subsidiaries are prepared using uniform accounting policies and for the same reporting period as the financial statements of the parent company.

The balance sheet date for all subsidiaries included in the consolidated financial statements is December 31 of the relevant financial year.

3.1 Subsidiaries

Subsidiaries are the companies controlled by MBB SE. A company controls another when there are rights embodying a present ability to control the significant activities of the other entity. Significant activities are those activities affecting the return generated by an entity significantly. Subsidiaries are consolidated from the date on which the parent can control the subsidiary and ends when this is no longer possible.

Acquisition accounting is performed using the purchase method in accordance with IFRS 3, under which the acquisition cost of the acquired shares is offset against the proportion of the acquired subsidiary's equity attributable to the parent company at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognized at fair value and included in the consolidated statement of financial position. If the acquisition cost exceed the fair value of the net assets attributable to the Group, the difference is capitalized as goodwill.

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognized in profit or loss immediately. If not all the shares in a subsidiary were acquired, non-controlling interests are initially measured at the proportionate share of the acquiree's identifiable net assets as at the acquisition date.

Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenue, income and expenses. Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

MBB SE consolidates both Aumann AG and Friedrich Vorwerk Group SE, although the respective share in the companies is less than 50%. The decision on full consolidation as per IFRS 10 is based not only on the percentage of ownership, but also on the actual control.

In the case of Aumann AG, the criterion of control under IFRS 10 is met because MBB SE holds an absolute majority of the voting rights at the annual general meeting of Aumann AG and two out of three seats on the supervisory board of Aumann AG are held by members of MBB SE board of directors.

In the case of Friedrich Vorwerk Group SE, the control criterion is met because MBB SE, which holds 36.00% of the shares, and ALX Beteiligungsgesellschaft mbH, which holds 18.00% of the shares, have an agreement to exercise voting rights uniformly.

3.2 Associates

Companies in which MBB holds between 20.0% and 50.0% of the share capital are classified as associates if MBB has a significant influence but does not control them. Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% are fully consolidated if MBB controls them. This control can arise, for example, from the fact that MBB accounts for the majority of the members of the supervisory board of listed companies or a majority of the attendance at the annual general meeting.

Associates are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associate are added to or deducted from the reported carrying amount of the equity investment. The amount of the loss allocation is limited to the amount of the acquisition cost of the associated company. If the equity investment reports a loss after its carrying amount has been reduced to a pro mem value of €1.00, these losses are recognized in an auxiliary account. For acquisitions of associates, the purchase method is applied in the same way. Associates that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively. Associates not accounted for using the equity method due to immateriality are measured at amortized cost and reported under „Financial assets“ within non-current assets.

3.3 Joint arrangements

Joint ventures are those in which the Group has joint control with a third party. Joint control is when decisions on business and financial policy require the unanimous consent of the parties that collectively control the arrangement. Joint ventures are accounted for at MBB using the equity method and reported under “Financial assets” within non-current assets. Joint ventures not accounted for using the equity method due to immateriality are measured at amortized cost.

Consortiums are particularly common in Germany, where they are most frequently found in the construction industry. According to a statement by the Institute of Public Auditors in Germany, a typical German consortium satisfies the requirements for classification as a joint venture. The results of consortiums are reported pro rata under Income from joint ventures and associates. In particular, receivables from and liabilities to consortiums include cash receipts and payments and cost allocations, and are reported under trade receivables and other liabilities.

4. Presentation of accounting policies

4.1 General information

With the exception of the remeasurement of certain financial instruments, the consolidated financial statements were prepared using the historical cost method. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

The statement of financial position is structured according to current and non-current assets and liabilities. The statement of comprehensive income is prepared in line with the nature of expense method for calculating the consolidated net profit for the period.

4.2 Reporting currency

The consolidated financial statements are prepared in euro, as the majority of Group transactions are conducted in this currency. Unless stated otherwise, all figures are rounded up or down to thousands of euro in line with standard commercial practice. The amounts are stated in euro (€), thousands of euro (€ thousand) and millions of euro (€ million).

4.3 Currency translation

Each company within the Group determines its own functional currency. The items included in the financial statements of the respective company are measured using this functional currency. Foreign currency transactions are then translated into the functional currency at the spot exchange rate on the date of the transaction.

Foreign currency monetary assets and liabilities are translated into the functional currency at the end of each reporting period using the closing rate. All exchange differences are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The assets and liabilities of the foreign operations are translated into euro at the closing rate. Income and expenses are translated at the average exchange rate for the financial year. The resulting currency translation differences are recognized as a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition of that foreign operation are translated at the closing rate.

The following exchange rates were applied (for €1.00):

	Closing rate Dec 31, 2021	Average rate 2021
Polish zloty (PLN)	4.5969	4.5640
Chinese renminbi (CNY)	7.1947	7.6351
US-Dollar (USD)	1.1326	1.1851
	Closing rate Dec 31, 2020	Average rate 2020
Polish zloty (PLN)	4,5597	4,4404
Chinese renminbi (CNY)	8.0225	7.8708
US-Dollar (USD)	1.2271	1.1413

4.4 Intangible assets

Intangible assets not acquired as part of a business combination are initially carried at cost. The cost of an intangible asset acquired in a business acquisition corresponds to its fair value at the acquisition date.

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the asset will be received by the enterprise and the cost of the asset can be measured reliably.

Costs for research activities are charged as expenses in the period in which they are incurred.

Development costs are capitalized as internally generated intangible assets if all of the following criteria are met:

- Completion of the project is technically feasible.
- The company intends and is able to complete the intangible asset and to use or sell it.
- It is assumed that the intangible asset is likely to generate a future economic benefit.
- In addition, the Group has the technical, financial and other resources to complete the development work and it is possible to reliably determine the expenses directly attributable to the project.

If these criteria are not met, the development costs are expensed in the period in which they are incurred.

For the purposes of subsequent measurement, intangible assets are recognized at cost less cumulative amortization and cumulative impairment losses (reported under Depreciation and amortization expense). Intangible assets (not including goodwill) are amortized on a straight-line basis over their estimated useful life. The amortization period and amortization method are reviewed at the end of each financial year.

Apart from goodwill, the Group does not have any intangible assets with indefinite useful lives.

The cost of acquisition of new software is capitalized and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is amortized on a straight-line basis over a period of up to three years.

Capitalized development costs are amortized on a straight-line basis over a period of up to seven years.

Patents are amortized over a useful life of 10 years.

Costs incurred in order to restore or maintain the future economic benefits that the company had originally expected are recognized as an expense.

Gains and losses from the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the period in which the asset is disposed of.

4.5 Goodwill

Goodwill from business combinations is the residual amount of the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortized but instead is tested for impairment at least once a year in accordance with IAS 36. For the purposes of impairment testing, the goodwill acquired in the business combination is allocated to the cash-generating units (CGUs) of the Group that benefit from the combination starting from the acquisition date. Goodwill is then written down if the recoverable amount of a cash-generating unit is lower than its carrying amount. Once recognized, impairment losses on goodwill are not reversed in future periods.

If a subsidiary is sold, the amount of the goodwill attributable to the subsidiary is taken into account in calculating the gain on disposal.

4.6 Property, plant and equipment

Property, plant and equipment is recognized at cost less cumulative depreciation and cumulative impairment losses. The cost of an item of property, plant and equipment consists of the purchase price and other non-refundable purchase taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure, such as servicing and maintenance costs, that is incurred after the non-current asset is put into operation is expensed in the period in which it is incurred. If it is likely that expenditure will lead to additional future economic benefits to the company in excess of the originally assessed standard of performance of the existing asset, the expenditure is capitalized as an additional cost.

Assets newly identified in the course of acquisitions are measured at the fair value (market value) calculated at the acquisition date, which is then depreciated over the subsequent periods.

Depreciation is calculated on a straight-line basis over the expected useful economic life, assuming a residual value of €0.00. The following estimated useful lives are used for the individual asset groups:

- Buildings and exterior installations: 5 to 50 years
- Technical equipment and machinery: 1 to 21 years
- Computer hardware: 3 years
- Other office equipment: 2 to 23 years

Land is not depreciated.

The useful life, the depreciation method for property, plant and equipment and the residual values are reviewed periodically.

If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are derecognized. Any realized gain or loss from the disposal is reported in the statement of comprehensive income. The profit or loss resulting from the sale of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognized in profit or loss.

4.7 Leases

All contracts that transfer the right to use a specific asset for a period of time in return for consideration are deemed leases. This also applies to contracts that do not expressly describe the transfer of such a right. In particular, the Group uses properties, vehicles and other technical equipment and machinery as a lessee.

As a lessee, the Group has recognized right-of-use assets for leased assets and liabilities for the payment obligations entered into for all leases at present value in its statement of financial position. Lease liabilities include the following lease payments:

- fixed payment, including in-substance fixed payments, less lease incentives yet to be paid by the lessor
- variable payments that depend on an index or a rate
- amounts expected to be payable on the basis of residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Variable lease payments are not included in the measurement of the lease liability. Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise they are discounted using the incremental borrowing rate. MBB uses the incremental borrowing rate. This incremental borrowing rate is a risk-adjusted interest rate derived for the specific term and currency, also taking into account the credit rating of the individual Group companies.

The right-of-use asset is initially measured at cost as at the commencement date. This consists of the amount of the initial measurement of the lease liability, the lease payments made at or before the commencement date of the lease less any incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less cumulative depreciation, impairment losses and adjustments required to remeasure the lease liability upon the occurrence of certain events. The right-of-use asset is depreciated on a straight-line basis over the term of the lease.

For contracts that contain lease and non-lease components, these components are separated.

Some leases, in particular those for property, include extension options. These contractual terms offer the Group the greatest possible flexibility. When determining the lease term, all facts and circumstances that create an economic incentive to exercise extension options are taken into account. When determining the term of the lease, such options are only taken into account if they are reasonably certain. The assessment of whether options are reasonably certain to be exercised affects the term of the lease and can therefore have a significant influence on the measurement of the lease liabilities and the right-of-use assets.

MBB exercises the option under IFRS 16 not to recognize right-of-use assets and lease liabilities for low-value (i.e. value of underlying asset €5,000 or less on acquisition) and short-term leases (remaining term of twelve months or less). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

In rare cases, MBB is the lessor if a Group company agrees subleases for properties with third parties. These leases are not material to the company's consolidated financial statements.

MBB has no investment property.

4.8 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. Interest expenses are capitalized for qualifying assets.

4.9 Impairment of non-financial assets

Non-financial assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For impairment testing, the recoverable amount of the asset or the cash-generating unit (CGU) must be determined. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is defined as the price obtainable from the sale of an asset or CGU between knowledgeable, willing and independent parties less costs of disposal. The value in use of an asset or CGU is determined by the present value of an estimated anticipated cash flow on the basis of its current use. If the recoverable amount falls below the carrying amount, an impairment loss in the amount of the difference is immediately recognized in profit or loss.

An adjustment in profit or loss of impairment recognized in profit or loss in previous years is carried out for an asset (except for goodwill) if there are indications that the impairment no longer exists or could have decreased. The reversal is recognized in the income statement as income. However, the increase in value (or reduction in impairment) of an asset is only recognized to the extent that it does not exceed the carrying amount that would have resulted if no impairment loss had been recognized in the previous years (taking depreciation into account).

4.10 Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

l) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets on initial recognition is dependent on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. Except for trade receivables that do not contain a significant financing component, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price calculated in accordance with IFRS 15.

To ensure that a financial asset can be classified and measured as measured at amortized cost or fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the level of the individual financial instrument.

The Group's business model for managing financial assets reflects how an entity manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from collecting contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets measured at amortized cost (debt instruments)
- financial assets measured at fair value through other comprehensive income with the reclassification of cumulative gains and losses (debt instruments)
- financial assets measured at fair value through other comprehensive income without the reclassification of cumulative gains and losses on derecognition (equity instruments)
- financial assets measured at fair value through profit or loss

Financial assets measured at amortized cost (debt instruments)

This is the category most relevant to the Group. The Group measures financial assets at amortized cost when both the following conditions are met:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method and are tested for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or becomes impaired.

The Group's financial assets measured at amortized cost essentially comprise trade receivables.

Financial assets measured at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income if both the following conditions are met:

- the financial asset is held within the framework of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments measured at fair value through other comprehensive income, interest income, gains and losses on currency translation and impairment losses or reversals of impairment losses are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost.

The remaining changes in fair value are recognized in other comprehensive income. On derecognition, the cumulative gain or loss from changes in fair value recognized in other comprehensive income is reclassified to profit or loss.

The Group's debt instruments measured at fair value through other comprehensive income include listed bonds reported under short-term securities.

Financial assets measured at fair value through other comprehensive income (equity instruments)

On initial recognition, the Group can irrevocably elect to classify its equity instruments as equity instruments designated at fair value through other comprehensive income if they satisfy the definition of equity in accordance with IAS 32 and are not held for trading. This classification decision is made individually for each instrument.

Gains and losses from these financial assets are not reclassified to profit or loss. Dividends are recognized in profit or loss as other income when the right to receive payment of the dividend is established, unless the dividend represents a recovery of part of the acquisition cost of the financial asset. In this case, the gains are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not tested for impairment. The Group has elected to assign some of its listed equity instruments to this category.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition and financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as hedging instruments being effectively hedged. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss. This category includes derivative financial instruments and listed equity instruments that the Group has not elected to classify as at fair value through other comprehensive income. Dividends from listed equity instruments are also recognized as other income in the income statement when the right to receive payment is established.

As in the previous year, the carrying amounts of the financial assets and liabilities not measured at fair value are essentially equal to their fair values.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) if one of the following conditions is met:

- the rights to receive cash flows from the asset have expired.
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes impairment for expected credit losses on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows payable and the total cash flows the Group expects to receive. The forecast cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For financial instruments for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized in the amount of the expected cash shortfalls from an event of default within the next twelve months (12-month ECL). For financial assets for which the risk of default has increased significantly since initial recognition, an entity

must recognize the lifetime expected credit losses regardless of when the default event occurs (lifetime ECL).

The Group uses a simplified method to calculate the expected credit losses on trade receivables and contract assets. It therefore does not track changes in credit risk, and instead recognizes a loss allowance at the end of each reporting period based on the lifetime ECL. On the basis of its past experience of credit losses, the Group has prepared a provision matrix that is adjusted for future factors if specific future factors for the borrower and the economic environment can be determined at reasonable expense.

For debt instruments measured at fair value through other comprehensive income, the Group uses the simplification for financial instruments with low credit risk. To do so, it uses reasonable and supportable information that is available without undue cost or effort to assess whether the debt instrument has a low credit risk at the end of each reporting period. It also takes a significant increase in credit risk into account if contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through other comprehensive income exclusively consist of listed bonds that management sees as investments with low credit risk. The Group measures the expected credit losses for these instruments on a 12-month basis. However, if the credit risk has increased significantly since initial recognition, the impairment loss is based on the lifetime ECL. The Group uses issuer credit default spreads to determine whether the credit risk on a debt instrument has increased significantly and to estimate the expected credit losses.

The Group considers a financial asset to be in default if contractual payments are 90 days past due and a subsequent detailed review of the debtor does not reveal other information. Moreover, it can assume in certain cases that a financial asset is in default if internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all credit enhancements held are taken into account. A financial asset is written down when there is no valid expectation that the contractual cash flows will be collected.

II) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, contract liabilities, other liabilities and loans, including overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities is dependent on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as hedging instruments and are within an effective hedge.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated on initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has designated only a small amount of financial liabilities as at fair value through profit or loss.

Loans and liabilities

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized and through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

III) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.11 Derivative financial instruments

The Group uses derivative financial instruments to a limited extent, such as currency futures, interest rate swaps or commodity swaps to hedge against commodity price risks. These derivative financial instruments are initially carried at fair value and remeasured at fair value in subsequent periods. Derivative financial instruments with a positive fair value are recognized as financial assets, while derivative financial instruments with a negative fair value are recognized as financial liabilities. These derivative financial instruments are not designated as hedges, but instead are classified as held for trading.

4.12 Inventories

Inventories are reported at the lower of cost or net realizable value (less costs necessary to make the sale) taking their planned use into account. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. In addition to the cost of production material and production wages, the production cost of work in progress and finished goods also includes pro rata material and production overheads assuming normal capacity utilization. Appropriate write-downs were recognized for inventory risks from storage periods and reduced usability.

4.13 Contract assets and contract liabilities

Construction contracts with customers (Service & Infrastructure segment)

In accordance with IFRS 15, revenue from construction contracts with customers is recognized over a period of time as the construction projects are built on the customers' land, and the customers therefore always have control of the assets created or improved. Construction is carried out on the basis of individual contracts. The transaction price is allocated to separate performance obligations on the basis of cost estimates. The MBB Group uses the value of a contract agreed with the principal to determine the transaction price for construction contracts.

Revenue from construction contracts is recognized over a period of time using the output-oriented method on the basis of work performed to date. The work performed and the corresponding revenue are calculated at the level of the individual items according to the cost estimate. The direct derivation of progress from work performed to date is the best indicator due to unforeseen deviations in budget costs. Work performed must be ascertained directly by the construction team each month.

The contract assets represent the Group's claim to consideration from construction contracts with customers. If the contract asset for a construction contract exceeds the advances received on it, it is recognized as an asset under "Contract assets". If the reverse is true, amounts are reported under "Contract liabilities".

Payments for construction contracts are typically made in line with performance on the basis of regular invoices. Advances before performance are sometimes typical in plant engineering.

If it is likely that the cost will exceed the recoverable amount, a provision for onerous contracts is recognized in accordance with IAS 37. This is analyzed on a case-by-case basis to recognize the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognized up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognized under short-term provisions.

Inventories not yet used in construction but already available on construction sites are reported separately under inventories. Work already invoiced is recognized under trade receivables.

Supplementary work in connection with construction contracts is work that cannot be charged under existing contractual agreements, whose chargeability or acknowledgement has yet to be agreed with the

principal. While the costs are recognized immediately in profit or loss when they are incurred, the revenue from supplementary work is only recognized after the principal's written acknowledgement has been received or on payment of the supplementary work, if payment is received before written acknowledgement.

Revenue in plant engineering (Service & Infrastructure segment)

The consideration for revenue from plant engineering, which is recognized over a period of time on the basis of work already performed as at the end of the reporting period, is recognized under "Contract assets". The contract asset represent the Group's claim.

Revenue is recognized over a period of time when a contractual arrangement precludes any alternative use and there is a claim to payment including a profit margin on work already performed. The comments on construction contracts with customers apply mutatis mutandis.

Advances received on them are deducted from the contract asset. If the advances received exceed the contract asset, they are reported under "Contract liabilities".

Construction contracts (Technological Applications segment)

For long-term construction contracts in the Technological Applications segment, revenue is recognized over a period of time if there is no alternative use and there is a claim to payment including a profit margin on work already performed. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract at the reporting date. The percentage of completion is calculated as the ratio of the contract costs incurred by the end of the reporting period to the total estimated contract costs as at the end of the reporting period (cost-to-cost method).

Construction contracts accounted for over time are recognized as contractual assets in the amount of the contract costs incurred by the end of the reporting period plus the proportionate profit resulting from the percentage of completion less advances received. Changes to contracts, additional amounts invoiced and incentive payments are recognized to the extent that a binding agreement has been concluded with the customer. If the result of a construction contract cannot be reliably estimated, the probable revenue is recognized up to a maximum of the costs incurred. Contract costs are recognized in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected losses are expensed immediately.

4.14 Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months. Cash and cash equivalents are measured at cost.

Cash and cash equivalents in the consolidated statement of cash flows are defined in line with the above.

4.15 Provisions

Provisions are reported when the Group has a current (legal or de facto) obligation due to a past event, it is probable that fulfilment of the obligation will lead to an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated. If the Group expects at least a partial refund of a provision recognized as a liability, the refund is recognized as a separate asset provided the receipt of the refund is almost certain. The expense from recognising the provision is reported in the income statement less the refund.

Provisions are reviewed at the end of each reporting period and adjusted to the current best estimate. The amount of the provision corresponds to the present value of the expenses expected to be required to fulfil the obligation where the time effect of money is material. The increase in the provision over time is recognized as interest expense.

Accruals are recognized for obligations for which an exchange of services has taken place and the amount of the consideration is established with sufficient certainty. They are reported under liabilities.

4.16 Pensions and other post-employment benefits

The pension obligations are measured in accordance with IAS 19. Payments for defined contribution pension plans are expensed. For defined benefit pension plans, the obligation is recognized in the statement of financial position as a pension provision. These pension commitments are regarded as defined benefit plan commitments and are therefore measured in line with actuarial principles using the projected unit credit method.

Actuarial gains and losses are reported in other comprehensive income. The interest expense from pension discounting is reported in net finance costs.

4.17 Revenue recognition

Revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for promised goods or services to customers. Revenue is recognized when the customer acquires control of the goods or services.

Sale of goods and products, provision of services

The customer achieves control when the goods and products are delivered or accepted. Revenue from service transactions is only recognized when it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. It is recognized in the accounting period in which the corresponding services are rendered, thereby giving the customer control of the service.

Revenue from construction contracts (Technological Applications segment)

Revenue from long-term construction contracts is recognized over a period of time in accordance with IFRS 15. Revenue is recognized over a period of time based on the input-oriented method.

Please see the information on contract assets for further details.

Revenue from construction contracts with customers (Service & Infrastructure segment)

Revenue from construction contracts with customers is recognized over a period of time in accordance with IFRS 15. Revenue is recognized over a period of time using the output-oriented method on the basis of work performed to date.

Please see the information on contract assets for further details.

Revenue from construction contracts performed in consortiums is recognized over a period of time based on the work actually performed as at the end of the reporting period. Impending losses from the further course of the project are taken into account through corresponding write-downs.

Revenue from plant engineering projects (Service & Infrastructure segment)

Plant engineering revenue is recognized over a period of time on the basis of the work performed by the end of the reporting period, if a contractual arrangement precludes the MBB Group from having an alternative use and the contractual arrangement establishes a claim to payment including a profit margin on work already performed.

Interest income

Interest income is recognized when the interest arises (using the effective interest rate, i.e. the computational interest rate at which estimated future cash inflows are discounted to the net carrying amount of the financial asset over the expected term of the financial instrument).

Dividends

Dividend income is recognized when the legal right to payment arises.

4.18 Taxes

a) Current income taxes

Current tax assets and liabilities for the current period and earlier periods are measured at the amount of the refund expected to be received from the tax authority or the payment expected to be made to it. The calculation is based on tax rates and tax laws applicable at the end of the reporting period.

b) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized using the liability method for temporary differences as at the end of the reporting period between the carrying amount of an asset or liability in the statement of financial position and its tax base and for tax loss carryforwards.

Deferred tax liabilities are recognized for all taxable temporary differences with the exception of deferred tax liabilities from the initial recognition of goodwill or of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit.

Deferred tax assets are recognized for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards and tax credits can be applied. Deferred tax assets from deductible temporary differences due to the initial recognition of an asset or liability from a transaction

that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit, are not recognized.

Tax credits that are dependent on investments are recognized in line with IAS 12. They are not offset against the corresponding investments.

At individual companies, deferred tax assets and liabilities are offset to the extent that they can be allocated to future charges or reductions of the same taxable entity with respect to the same tax authority.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly utilized. Unrecognized deferred tax assets are tested at the end of each reporting period and recognized to the extent that it has become probable that taxable result in future will allow the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the periods in which an asset is realized or a liability is settled. This is based on the tax rates and tax laws applicable at the end of the reporting period. Future changes in the tax rates must be taken into account at the end of the reporting period if the material conditions for validity in a legislative process are fulfilled.

Deferred taxes are reported as tax income or tax expense in the statement of comprehensive income unless they relate to items reported directly in equity, in which case the deferred taxes are also directly reported in equity. Deferred taxes and tax liabilities are offset against each other if the Group has a legally enforceable right to set off tax assets against tax liabilities and they relate to income taxes of the same taxable entity levied by the same tax authorities.

4.19 Contingent liabilities and contingent assets

Contingent liabilities are either potential obligations that could lead to an outflow of resources but whose existence will be determined by the occurrence or non-occurrence of one or more future events, or current obligations that do not fulfil the criteria for recognition as a liability. They are disclosed separately in the notes unless the probability of an outflow of resources embodying economic benefits is low. In the year under review, there were no contingent liabilities apart from guarantees and other commitments.

In the context of business combinations, contingent liabilities are recognized in accordance with IFRS 3.23 if their fair value can be reliably determined.

Contingent assets are not reported in the financial statements, but are disclosed in the notes when receipt of economic benefits is probable.

4.20 Government grants

Government grants are recognized as profit or loss on a systematic basis in the periods in which the related expenses are recognized and where it is sufficiently certain that the conditions imposed in connection with the grants will be fulfilled.

The grants received are reported as deferred income in the statement of financial position under liabilities.

5. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations calculated as at the end of the reporting period and the reporting of expenses and income. The actual amounts can differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of non-financial assets

The Group determines whether there are indications of impairment of non-financial assets at the end of each reporting period. Goodwill with an indefinite useful life is tested for impairment at least once a year and when there are indications of impairment. Other non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To estimate the value in use, management measures the expected future cash flows of the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

b) Pensions and other post-employment benefits

The expense of defined benefit post-employment plans is determined using actuarial calculations. The actuarial calculation is based on assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty.

c) Provisions

Other provisions are recognized and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the end of the reporting period. The actual obligation can differ from the amounts recognized as provisions.

d) Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards and for temporary differences to the extent that it is probable that taxable income will be available for this, meaning that the loss carryforwards can actually be used. In calculating the amount of deferred tax assets, management must make judgements with regard to the expected timing and amount of future taxable income and the future tax planning strategies.

e) Revenue from contracts with customers

The majority of the transactions conducted by the companies of the Aumann and Vorwerk Groups are construction contracts over time, for which revenue is recognized by reference to the percentage of completion. This method requires an estimate of the percentage of completion. Depending on the method applied in determining the percentage of completion, the material estimates comprise the services already provided, the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary. For technically complex and sophisticated projects especially, there is a risk that the estimate of total costs could differ considerably from the costs actually incurred.

f) Accounting for gold reserves

MBB SE owns physical gold reserves that are held as a liquidity reserve and reported in total liquidity. Despite containing a wide range of regulations, IFRSs do not provide conclusive guidance on accounting for gold reserves. Gold reserves cannot be accounted for in accordance with IAS 2 as they are not held for use in a production process. Accounting in accordance with IFRS 9 is problematic as gold does not meet the definition of a financial asset as set out in IAS 32.11, and hence does not fall within the scope of IFRS 9. None of the other IFRSs are relevant.

As such, there is a gap in the IFRS regulation when it comes to accounting for physical gold reserves that the MBB Group seeks to close by applying the provisions of IFRS 9 analogously. Physical gold reserves are measured at fair value on initial recognition. In subsequent periods, changes in the value of gold reserves are recognized directly in equity in other comprehensive income.

II. Notes to the consolidated statement of financial position

1. Non-current assets

1.1 Statement of changes in non-current assets of the MBB Group as of December 31, 2021

	Opening balance cost	Additions in the fin- ancial year	Businss acquisi- tion	Reclassifi- cation	Disposals in the fin- ancial year	Currency translation differ- ences	Write downs (accumu- lated)	Carrying amount at the end of financial year	Carrying amount at the end of previous year	Write downs in the fin- ancial year	Disposals on write downs	Currency translation differ- ences
Dec 31, 2021	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights	29,912	7,048	2	1,316	-327	1	-24,861	13,091	10,545	-5,774	281	-1
2. Development Costs	12,460	1,749	0	0	0	0	-4,263	9,945	9,518	-1,321	0	0
3. Customer base	882	0	4	-1	0	0	-588	297	392	-98	0	0
4. Order backlog	10,550	0	508	0	0	0	-10,047	1,011	1,277	-774	0	0
5. Goodwill	44,449	0	1,692	0	0	0	0	46,141	44,449	0	0	0
6. Advance payments	1,149	167	0	-1,312	0	0	0	4	1,149	0	0	0
	99,403	8,963	2,206	3	-327	1	-39,760	70,489	67,330	-7,967	281	-1
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	99,684	5,616	3,138	9,968	-1,949	-103	-25,597	90,756	77,091	-4,812	1,799	9
2. Technical equipment and machinery	109,491	15,609	5,412	2,901	-8,054	-296	-62,201	62,862	52,544	-13,030	7,589	187
3. Other equipment, operating and office equipment	57,225	10,346	2,878	424	-7,913	16	-35,909	27,067	23,816	-9,853	7,364	-11
4. Advance payments and assets under development	11,606	4,857	0	-13,295	-127	2	-44	2,999	11,575	-13	0	0
	278,006	36,428	11,428	-3	-18,042	-381	-123,752	183,684	165,026	-27,708	16,752	185
Total	377,409	45,391	13,634	0	-18,369	-380	-163,512	254,173	232,356	-35,675	17,033	184

1.2 Statement of changes in non-current assets of the MBB Group as of December 31, 2020

	Opening balance cost	Additions in the fin- ancial year	Reclassifi- cation	Disposals in the fin- ancial year	Currency translation differ- ences	Write downs (accumu- lated)	Carrying mount at the end of financial year	Carrying amount at the end of previous year	Write downs in the fin- ancial year	Reclassifi- cation on write downs	Disposals on write downs	Currency translation differ- ences
Dec 31, 2020	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets												
1. Concessions, industrial property rights and simi- lar rights	25,978	3,710	287	-27	-35	-19,367	10,545	11,421	-4,851	-7	27	20
2. Development Costs	10,557	1,904	0	0	0	-2,943	9,518	8,926	-1,312	0	0	0
3. Customer base	882	0	0	0	0	-490	392	490	-98	0	0	0
4. Order backlog	10,550	0	0	0	0	-9,273	1,277	4,441	-3,164	0	0	0
5. Goodwill	44,449	0	0	0	0	0	44,449	44,449	0	0	0	0
6. Advance payments	134	1,295	-280	0	0	0	1,149	134	0	0	0	0
	92,550	6,909	7	-27	-35	-32,074	67,330	69,861	-9,425	-7	27	20
II. Property, plant and equipment												
1. Land and buildings including buildings on third- party land	96,734	4,809	2,563	-3,284	-1,138	-22,593	77,091	80,021	-4,701	-1,738	371	189
2. Technical equipment and machinery	99,678	11,502	3,726	-2,992	-2,423	-56,947	52,544	51,176	-12,209	-100	2,364	1,500
3. Other equipment, operating and office equip- ment	49,865	11,718	-1,757	-2,494	-107	-33,409	23,816	22,138	-9,576	1,845	1,970	80
4. Advance payments and assets under develop- ment	4,514	13,290	-4,538	-1,606	-53	-31	11,575	4,514	-31	0	0	0
	250,791	41,318	-7	-10,375	-3,721	-112,980	165,026	157,849	-26,518	7	4,705	1,768
Total	343,341	48,227	0	-10,403	-3,756	-145,053	232,356	227,710	-35,943	0	4,732	1,788

2. Goodwill

The carrying amount of goodwill is €46,141 thousand (previous year: €44,449 thousand).

The increase in goodwill results from the acquisitions of KORUPP GmbH and Gottfried Puhlmann GmbH described under Note 1.3. The increase totaling €1,692 thousand is allocated to the Service & Infrastructure segment.

Goodwill is subject to an annual impairment test. In conjunction with impairment testing, goodwill acquired in business combinations was allocated to the cash-generating units Aumann Limbach-Oberfrohna (€28,426 thousand), Aumann EBI [comprising the companies Aumann Espelkamp GmbH and Aumann Immobilien GmbH] (€10,057 thousand), ISL (€4,149 thousand), Gottfried Puhlmann (€1,377 thousand), DTS (€1,180 thousand), Hanke Tissue (€637 thousand) and Korupp (€314 thousand). The Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units are allocated to the Technical Applications segment, the ISL and DTS cash-generating units are allocated to the Service & Infrastructure segment, and the Hanke Tissue cash-generating unit is allocated to the Consumer Goods segment.

The impairment test as of December 31, 2021 confirmed the recoverability of capitalized goodwill.

Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units

The recoverable amount of the Aumann Limbach-Oberfrohna CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a three-year period. The calculation of the budget figures took into account current and future probabilities, the expected economic development and other circumstances. The pre-tax discount rate applied to the cash flow projections is 8.1% (previous year: 8.2%). Cash flows beyond the detailed planning period are extrapolated using a growth rate of 3.0%. Perpetual annuity is calculated using a long-term growth rate of 1.0%.

The calculation of the recoverable amount of the cash-generating unit Aumann EBI was performed analogously, using the same methodology and assumptions.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the two significant cash-generating units, Aumann Limbach-Oberfrohna and Aumann EBI, is most sensitive to the following assumptions:

- EBITDA margins,
- discount rates,
- growth rates used to extrapolate cash flows beyond the detailed forecast period.

EBITDA margins: EBITDA margins are based on average values achieved in the three financial years preceding the beginning of the budget period. The values calculated thus are adjusted for the detailed planning period, if necessary, if management receives better information about their amount. The EBITDA margins from the detailed planning period are extrapolated at a constant level. A reduction in the EBITDA margin of 1.0 percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

Discount rates: Discount rates represent the market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments. Adjustments to the discount rate are made to factor in the specific amount and timing of tax flows in order to reflect a pre-tax discount rate. An increase in the pre-tax discount rate of 0.5 percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

Growth rates: The estimated growth rates are based on past experience and growth assumptions for the target markets of the respective CGUs. The Group recognises that possible new competitors or a changing market environment can have a significant impact on growth rate assumptions. Such a development could yield a reasonably possible alternative to the estimated long-term growth rate of 3.0% for the subsequent 7 years following medium-term planning for the two cash-generating units. A reduction in the growth rate of two percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

3. Intangible assets

Please see the statement of changes in non-current assets for information on the development of intangible assets.

4. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. Borrowing costs amounted to Nil both for the year under review and previous year.

The following table provides an overview of the capitalized right-of-use assets in each asset class as of December 31, 2021:

Right-of-use assets	Dec 31, 2021	Dec 31, 2020
	€k	€k
Land and buildings	5,075	3,988
Technical equipment and machinery	7,197	7,146
Other equipment, operating and office equipment	3,898	4,952
Total	16,171	16,085

The rights-of-use assets shown separately here are also included in the statement of changes in non-current assets in note II.1. Additions to right-of-use assets amounted to €7,326 thousand (previous year: €11,227 thousand), €3,055 thousand of which relates to business combinations (previous year: €0 thousand).

5. Financial assets

Financial assets	Dec 31, 2021	Dec 31, 2020
	€k	€k
Long-term securities	201,309	116,005
Joint ventures and associates	8,900	8,715
Other loans	1,310	838
Other participations	1	0
Carrying amount as of Dec 31	211,519	125,559

The development of financial assets is shown in the following tables.

Long-term securities	Dec 31, 2021	Dec 31, 2020
	€k	€k
Carrying amount as of Jan 1	116,005	89,549
Additions during the period	67,950	41,921
Disposals during the period	-16,287	-18,155
Revaluation	33,640	2,690
Carrying amount as of Dec 31	201,309	116,005

Joint ventures and associates	Dec 31, 2021	Dec 31, 2020
	€k	€k
Carrying amount as of Jan 1	8,715	13,214
Additions to scope of consolidation	84	0
Share in net income	7,498	10,563
Depreciation of hidden reserves	-2,714	-4,053
Distributions	-4,359	-10,934
Additions and disposals during the period	-325	-75
Carrying amount as of Dec 31	8,900	8,715

Disclosures on consortiums

In the Group, consortiums are classified as joint ventures and their results are reported under Income from joint ventures and associates. The table below shows the ten biggest consortiums in terms of performance for the 2021 financial year.

Consortiums	Ownership interest in %
(BPI) Joint Venture ENERGINET Funen (Baltic Pipe)	33.33
(WWO) ARGE ETL 178 Walle - Wolfsburg	50.00
(442) ARGE EGL 442	58.00
(KTG) ARGE Kabeltrasse GSH	40.00
(KGH) Dach-ARGE Kabeltrasse Ganderkesee - St. Hülfe	50.00
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00
(DZ3) Dach-ARGE ZEELINK Los 3 - 5	25.00
(PGA) Dach-ARGE Pipelinesanierung Gascade 2019/2020	50.00
(ZVR) Dach-ARGE Zollvereinring	66.66
(ELB) Dach-ARGE Elbchaussee 1. BA	36.00

The financial information for these working groups for the 2021 financial year is presented at 100%.

Consortium	Revenue	Non-current assets	Current assets	thereof liquid funds	Non-current liabilities	Current liabilities
	€k	€k	€k	€k	€k	€k
(BPI)	43,913	819	22,908	20,366	0	27,663
(WWO)	43,775	0	66,647	8,444	0	56,631
(442)	35,849	0	116,614	12,200	0	114,252
(KTG)	23,750	122	3,471	722	0	2,650
(KGH)	17,925	0	2,090	1,730	0	2,092
(GAZ)	12,350	0	31,837	706	0	32,547
(DZ3)	12,110	0	151,687	183	0	151,121
(PGA)	7,977	0	0	0	0	0
(ZVR)	7,592	0	126	126	0	127
(ELB)	6,713	0	3,017	2,078	0	3,017

Disclosures on cumulative losses from associates

In the period under review all pro rata losses from associates have been recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income

The financial assets of the MBB Group recognized at fair value through other comprehensive income comprise physical gold reserves and securities. The value of the physical gold reserves was €4,153 thousand (previous year: €3,979 thousand). The increase is due in full to fair value measurement as of December 31, 2021.

Of the securities, shares and bonds recognized at fair value through other comprehensive income totalling €201,574 thousand (previous year: €100,527 thousand), €201,309 thousand (previous year: €100,075 thousand) were reported under non-current assets and €266 thousand (previous year: €452 thousand) were reported under current assets. No impairment was recognized either in the year under review or in the previous year.

6. Inventories

Inventories	Dec 31, 2021	Dec 31, 2020
	€k	€k
Raw materials and supplies	20,890	16,286
Work in progress	8,399	6,350
Finished goods and commodities	11,210	10,664
Advance payments	5,497	4,949
Carrying amount as of Dec 31	45,996	38,249

Inventories include impairment losses of €1,953 thousand as of the balance sheet date (previous year: €2,413 thousand). Impairment loss reversals on inventories were included in the amount of €438 thousand (previous year: €28 thousand).

7. Trade receivables

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Trade receivables	54,909	63,652
Receivables from consortiums	7,714	2,830
Less specific valuation allowances	-4,132	-2,122
Less expected credit loss	-44	-49
Carrying amount as of Dec 31	58,447	64,312

The trade receivables are all due within one year. Receivables are written down on an individual basis if there are indications of default risks. Indications of impairment include failure to receive payments and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk.

8. Contract assets and contract liabilities

Contract assets comprise the claims for remuneration from construction contracts from customers, plant engineering projects and long-term construction contracts for work already performed as at the end of the reporting period. If the advances received exceed the claim to payment, they are reported under "Contract liabilities".

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Gross contract assets	380,548	379,392
advance payments received thereon	-261,380	-280,665
Contract assets	119,168	98,727
Contract liabilities	34,421	21,780

9. Other current assets

Other assets maturing within one year break down as follows:

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Tax receivables	11,937	5,576
Prepaid expenses	3,892	2,614
Receivables due from personnel	2,459	2,368
Factoring receivables	2,405	1,964
Receivables from related companies	0	1,468
Other current assets	3,387	3,483
Carrying amount as of Dec 31	24,081	17,472

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €9,615 thousand (previous year: €3,952 thousand) and input tax refunds of €2,322 thousand (previous year: €1,624 thousand). Receivables due from employees are essentially for employee loans.

10. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as of December 31, 2021 and December 31, 2020.

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Deferred tax assets	17,691	11,832
Deferred tax liabilities	24,067	20,811
Net	-6,376	-8,978

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Temporary differences from:		
Intangible assets	6,790	3,284
Liabilities	6,020	6,365
Pension provisions	4,846	4,973
Provisions	2,860	3,784
Unused tax losses	2,196	2,775
Special economic zone tax benefits	1,994	2,010
Property, plant and equipment	1,101	61
Receivables	802	85
Other current assets	133	1,962
Inventories	41	46
Securities	5	11
Financial assets	0	123
Others	32	17
Netting	-9,129	-13,664
Deferred tax assets	17,691	11,832

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Temporary differences from:		
Receivables	16,299	19,893
Property, plant and equipment	8,369	7,514
Intangible assets	5,245	4,938
Financial assets	2,936	1,861
Inventories	185	0
Provisions	79	198
Pension provisions	53	71
Others	30	0
Netting	-9,129	-13,664
Deferred tax liabilities	24,067	20,811

The tax benefit from the Special Economic Zone reported in deferred tax assets relates to Hanke Tissue Sp. z o.o. in the Kostrzyn Special Economic Zone in Poland. The Special Economic Zone promotes investments and the creation of jobs by allowing up to 50% of the investment volume to be offset against the income tax due on income generated in the Special Economic Zone.

11. Equity

Please see the "Statement of changes in consolidated equity" for information on the development of equity.

11.1 Issued capital

MBB SE's issued capital amounts to €5,940,751.00 as of December 31, 2021 and is fully paid in. It is divided into 5,940,751 no-par value bearer shares.

Purchase of treasury shares

The Annual General Meeting on May 28, 2019 authorized the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as of the authorization date while upholding the principle of equal treatment (section 53a AktG) in the period until May 27, 2024. The authorization can be exercised on one or more occasions, in part or in full. The shares can also be purchased by dependent Group companies or by third parties on the company's account. The authorization cannot be used for the purposes of trading in treasury shares. The authorization to acquire and use purchased treasury shares resolved by the Annual General Meeting on June 28, 2018 under item 9 of the agenda was cancelled when this authorization became effective.

On March 18, 2020, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from March 20, 2020 to April 8, 2020, MBB SE acquired 8,498 treasury shares of the company via the stock exchange with a total value of €424,782.67.

On June 1, 2021, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from June 14, 2021 to December 31, 2021, MBB SE acquired 85,416 treasury shares of the company via the stock exchange with a total value of €11,348,586.22.

Authorized capital and contingent capital

By resolution of the Annual General Meeting on June 28, 2018 the Authorized Capital 2015/I was cancelled and a new Authorized Capital 2018 was created. The Board is authorized to increase the company's share capital on one or more occasions by a total of up to €3,300,000 in the period until June 27, 2023 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (Authorized Capital 2018).

The Annual General Meeting on June 30, 2016 resolved Contingent Capital 2016/I. The Board was authorized to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of ten years in the period until June 29, 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000. The Company's share capital is contingently increased by up to €3,300,000 (Contingent Capital 2016/I). The purpose of this contingent capital increase was to issue shares to the creditors of convertible bonds or bonds with warrants. It was permitted to implement the contingent capital increase only to the extent that the creditors have exercised their conversion right or are subject to a conversion obligation.

The Annual General Meeting on August 24, 2020 authorized the Company to issue stock options (Stock Option Program 2020), to create a new Contingent Capital 2020/I and to adjust the Contingent Capital 2016/I and to make the necessary amendments to the Articles of Association.

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until June 30, 2025. As of the balance sheet date, 230,000 subscription rights had been issued. For details, please refer to note "3. Remuneration of the executive bodies" in section "VIII. Other mandatory information".

The capital stock of the company is conditionally increased by up to €240,000 through the issue of up to 240,000 new no-par value bearer shares (Contingent Capital 2020/I). The contingent capital increase serves exclusively to fulfill entitlements under the equity-based stock option program 2020.

The authorization to increase capital from Contingent Capital 2016/I on the basis of the resolution of the Annual General Meeting on June 30, 2016, is reduced from €3,300,000 to €2,500,000 with otherwise unchanged content and expired unused on June 29, 2021.

The individual shareholdings of MBB SE are as follows:

	Dec 31, 2021		Dec 31, 2020	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH ¹	1,995,881	33.596%	1,984,770	33.409%
MBB Capital GmbH ²	1,900,613	31.993%	1,900,613	31.993%
Anton Breilkopf	45,000	0.757%	45,000	0.757%
Dr Peter Niggemann	38,534	0.649%	38,534	0.649%
Dr Constantin Mang	5,680	0.096%	0	0.000%
Dr Jakob Ammer	1,488	0.025%	0	0.000%
Torben Teichler	1,550	0.026%	0	0.000%
Treasury shares	93,914	1.581%	8,498	0.143%
Others	1,858,091	31.277%	1,963,336	33.049%
Total	5,940,751	100.00%	5,940,751	100.00%

¹ 100% of the shares in MBB Capital Management GmbH are held by Dr Christof Neseemeier.

² 100% of the shares in MBB Capital GmbH are held by Gert-Maria Freimut.

11.2 Capital reserve

The capital reserve amounts to €479.1 million (previous year: €253.2 million). The increase is mainly due to the initial public offering of Friedrich Vorwerk Group SE limited on March 25, 2021. After deduction of transaction costs and non-controlling interests, the capital reserve increased by €236.2 million.

In addition, the capital reserve increased by €924 thousand in the reporting year due to the stock option programs of MBB SE and Aumann AG.

The capital reserve was reduced by the acquisition of treasury shares in 2021. The difference between the acquisition cost and the nominal value of the treasury shares acquired in the amount of €11,263,170.22 was offset against the capital reserves.

11.3 Legal reserve

5% of the parent company's net profit for 2006 was transferred to the legal reserve.

11.4 Retained earnings and other comprehensive income

Currency translation difference

The currency translation difference results from translation in line with the modified closing rate method.

The difference arises from the translation of items of the income statements of subsidiaries that prepared their accounts in a foreign currency at the average rate and conversion of the statement of financial position items at the closing rate on the one hand, and the conversion of the equity of the respective subsidiaries at the historical rate on the other hand.

Fair value reserve

The fair value reserve results from the remeasurement of financial assets at fair value at the end of the reporting period. In the statement of comprehensive income, other comprehensive income is broken down depending on whether these remeasurement gains/losses can be reclassified to profit or loss when they are realized.

Reserve for pensions

In accordance with IAS 19 (rev. 2011), actuarial gains/losses (adjusted for the associated deferred tax effects) are recognized in the reserve for pensions and reported in the statement of comprehensive income under other comprehensive income.

Other reserve

MBB SE acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH, Bochum, through DTS IT AG on February 19, 2019. Put and call options were mutually agreed for the remaining 34% of the shares as part of the transaction. A financial liability was recognized for the put option and deducted from equity. An amount of €-2.7 million was added to other reserves after taking deferred tax effects and non-controlling interests into account.

In February 2021, DTS IT AG acquired a further 14.34% of the outstanding shares in ITS Internet Sicherheitslösungen GmbH, thereby increasing its shareholding from 66% to 80.34%. Other reserve was derecognized pro rata as of March 31, 2021.

Retained earnings

This item contains the profits generated by the Group less distributed profits. Retained earnings decreased by €39,388 thousand in the financial year. Thus, a dividend of €10,441 thousand (€1.76 per share) was paid to the shareholders of MBB SE.

Furthermore, the consolidated net income of €-11,570 thousand reduced the retained earnings.

The IPO of Friedrich Vorwerk Group SE led to a reduction in the shareholding in Friedrich Vorwerk Group SE. As a result, MBB shareholders' reduced share in the net assets of the Friedrich Vorwerk is reflected in a decrease in retained earnings of €15,166 thousand. The further decrease in retained earnings is attributable to the changes in shareholdings in subsidiaries described in section I.1.3 (Company law changes and structural changes in 2021).

11.5 Non-controlling interests

Non-controlling interests in the MBB Group result from the equity investments in Aumann AG, Delignit AG, DTS IT AG, Friedrich Vorwerk Group SE and Hanke Tissue Sp. z o.o. The non-controlling interests increased by €82,522 thousand in the financial year.

As a result of the capital increase in connection with the IPO of Friedrich Vorwerk Group SE, the non-controlling interests after transaction costs increased by €57,102 thousand. The IPO led to a reduction in the MBB shareholders' share of the net assets of the Friedrich Vorwerk and correspondingly to an increase in the non-controlling interest of €15,120 thousand.

Furthermore, the share of total comprehensive income attributable to non-controlling interests of €18,115 thousand increased the non-controlling interests. This was offset by distributions of €8,837 thousand to non-controlling interests.

In accordance with IAS 32, the non-controlling interests in Friedrich Vorwerk SE & Co. KG are reported under current and non-current liabilities rather than in equity.

12. Provisions for pensions and similar obligations

Given the business model of MBB SE, employees' claims to post-employment benefits are not governed at Group level. Regulations on pensions are determined at the level of the individual subsidiaries, resulting in different works agreements. What all pension obligations have in common is that the claim arises when there is also a claim to the statutory pension. There are pension obligations for Blomberger Holzindustrie GmbH, CT Formpolster GmbH, Aumann Beelen GmbH, Aumann Limbach-Oberfrohna GmbH, Friedrich Vorwerk SE & Co. KG and Gottfried Puhlmann GmbH. The pension agreements are closed, meaning that no further occupational pension agreements are entered into for new appointments.

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Pension provisions at beginning of the financial year	28,612	28,908
Addition through company acquisition	2,343	0
Utilization	-851	-748
Addition to provisions (service cost)	431	470
Addition to provisions (interest cost)	144	221
Actuarial gains (-) /losses (+)	-1,969	-239
Pension provisions at end of the financial year	28,710	28,612
- Plan assets	455	488
Pension provision recognized in the balance sheet	28,255	28,124

Of the actuarial gains, €367 thousand resulted from experience adjustments and €1,602 thousand from actuarial adjustments.

The following actuarial assumptions were applied:

	2021	2020
Actuarial interest rate	0.50 - 1.10%	0.20 - 0.60%
Salary trend	0.00 - 2.00%	0.00 - 2.00%
Pension trend	1.00 - 2.00%	1.00 - 2.00%

The post-employment benefit plans are unfunded. The liabilities are equal to the obligation (DBO).

The expenses and income recognized in profit and loss are as follows:

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Addition to provisions (service cost)	-431	-470
Addition to provisions (interest cost)	-144	-221
Total	-575	-691

The expected pension payments from the pension plans for 2021 amount to €1,022 thousand.

The maximum potential sensitivity of the total pension obligation to changes in the weighted main assumptions is as follows:

	Change in assumption	Impact on obligation	
		Increase in assumption	Decrease in assumption
Interest rate	0.25%	-4.9%	+5.2%
Pension growth rate	0.50%	+7.2%	-6.5%
Life expectancy	+ 1 year	+4.0%	-

The sensitivity of the defined benefit obligation to actuarial assumptions was calculated using the same method as the measurement of the pension provision on the statement of financial position. The sensitivity analysis is based on the change in an assumption while all other assumptions remain constant. It is unlikely that this would occur in reality. There could be a correlation between changes in some assumptions.

13. Liabilities

The liabilities mature as follows:

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
Dec 31, 2021	€k	€k	€k	€k
Liabilities to banks	25,437	32,085	8,478	66,000
Lease liabilities	8,452	13,130	358	21,939
Liabilities from participation rights	0	0	10,213	10,213
Trade payables	53,364	0	0	53,364
Contract liabilities	34,421	0	0	34,421
Liabilities to non-controlling interests	4,997	0	1,304	6,301
Other liabilities	30,737	4,665	446	35,847
Accruals	23,634	0	0	23,634
As of Dec 31, 2021	181,042	49,880	20,799	251,720

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
Dec 31, 2020	€k	€k	€k	€k
Liabilities to banks	17,495	31,683	5,758	54,935
Lease liabilities	9,449	12,500	713	22,662
Liabilities from participation rights	0	0	10,213	10,213
Trade payables	47,132	0	0	47,132
Contract liabilities	21,780	0	0	21,780
Liabilities to non-controlling interests	4,894	2,711	0	7,605
Other liabilities	15,681	7,020	0	22,700
Accruals	26,348	0	0	26,348
As of Dec 31, 2020	142,779	53,914	16,684	213,376

Liabilities to banks that cover investment and operating loans have both fixed and floating interest rates of between 0.55% and 5.60% (previous year: 0.55% and 5.60%). The weighted average interest rate for 2021 is 1.65% (previous year: 1.55%).

Land and buildings, technical equipment and machinery as well as inventories were pledged as collateral. The carrying amount of the pledged assets was €70,222 thousand (previous year: €52,269 thousand) as of the end of the reporting period, €59,501 thousand of which relates to property, plant and equipment (previous year: €41,491 thousand) and €10,721 thousand of which to inventories (previous year: €10,778 thousand).

As of the end of the reporting period, there is profit participation capital of €10,213 thousand in total (previous year: €10,213 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the sub-group earnings of the Friedrich Vorwerk Group in the form of floating-rate interest. The total return on profit participation rights in the reporting year was 4.2% (previous year: 4.0%). The profit participation rights can be cancelled for the first time effective December 31, 2039.

Non-controlling interests in partnerships relate exclusively to Friedrich Vorwerk SE & Co. KG. Liabilities to non-controlling interests comprise earnings attributable to non-controlling interests. The withdrawable entitlements are presented as short term.

In conjunction with the acquisition of 66% of the shares in ISL Internet Sicherheitslösungen GmbH, Bochum, by DTS IT AG, Herford, on February 19, 2019 it was agreed that the original shareholders will have a put option to tender their remaining shares (34%) to DTS IT AG. At the same time, DTS IT AG has a call option to acquire their shares. The call and put options are designed identically. The option can be exercised from January 1, 2025 at the earliest. The exercise price is based on ISL's average EBIT. A financial liability was recognized for the put option at fair value through profit or loss. When calculating the financial liability, it was assumed that the option will be exercised at the earliest possible date. In the first quarter of 2021, DTS IT AG acquired a further 14.34% of the shares from the existing shareholders, thus increasing its shareholding from 66.0% to 80.34%. The acquisition resulted in a pro rata reduction of the contingent consideration on put options by €2,436 thousand. The agreements with the remaining existing shareholders remain unchanged.

14. Other liabilities

Other liabilities break down as follows:

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Current		
Value added tax	12,072	3,731
Consortiums	3,296	2,374
Wage tax	3,111	2,155
Wages and salaries	1,925	2,145
Debtors with credit balances	1,394	644
Deferred income	1,449	2,074
Social security benefits	1,330	932
Capital gains tax	781	86
Associates	183	28
Commissions	132	308
Derivative financial instruments	16	18
Consulting services and board remuneration	0	58
Miscellaneous	5,047	1,127
	30,737	15,681
Non-current		
Contingent considerations from put options	3,366	5,762
Investment grant received	898	1,005
Support funds	92	151
Other deferred income	755	103
	5,111	7,020
Total	35,847	22,700

15. Provisions and accruals

The following table shows the development of provisions and accruals during the financial year.

The non-current bonus provisions mainly include the expected expense for the tax settlement from the stock option programs of MBB SE and Aumann AG totaling €1,311 thousand.

The provisions for project completion costs relate to projects of Aumann and Friedrich Vorwerk that have already been completed and finally invoiced, but which are still subject to costs of follow-up work and fault remediation.

The outflow of resources for current provisions is expected in the following financial year.

15.1 Other provisions and accruals

in € thousand	Dec 31, 2020	Reclassifica- tion	Initial consoli- dation	Use	Release	Additions	Currency ef- fect	Dec 31, 2021
Long-term provisions								
Bonus program	318	0	0	0	0	996	0	1,313
Partial retirement	861	0	0	-578	-1	579	0	862
Anniversaries	276	0	0	-140	0	124	0	260
Death grants	13	0	0	-13	0	11	0	12
	1,468	0	0	-731	-1	1,711	0	2,447
Accruals and short-term provisions								
Outstanding invoices	14,550	-156	250	-13,132	-536	9,756	5	10,737
Variable salary and commissions	2,446	-725	0	-1,272	-353	6,535	0	6,632
Onerous and unfavourable contracts	2,104	0	0	-1,428	0	5,320	34	6,031
Vacation	5,352	0	477	-5,119	-69	4,954	-2	5,592
Project completion costs	9,844	0	0	-9,078	0	4,682	122	5,570
Guarantees and warranties	4,615	0	262	-1,331	-847	1,554	17	4,269
Flexitime	3,093	0	0	-2,844	0	2,738	0	2,987
Staff costs	590	0	0	-317	-50	790	0	1,013
Accounting and audit costs	947	0	47	-710	-181	833	0	935
Bonus program	40	0	0	0	0	756	0	796
Employers' liability insurance association	643	-336	52	-289	-118	479	0	431
Legal disputes and damage compensation	1,561	-1,026	232	-339	-105	-45	0	279
Restructuring	7,517	0	0	-2,606	-4,696	0	0	215
Reduction in earnings	66	0	0	-51	0	26	0	40
Other	408	2,243	535	-1,128	-362	825	0	2,520
	53,777	0	1,855	-39,644	-7,317	39,203	176	48,048
Total	55,245	0	1,855	-40,375	-7,318	40,913	176	50,495
in € thousand	Dec 31, 2019	Reclassification		Use	Release	Additions	Currency-related effects	Dec 31, 2020
Long-term provisions								

in € thousand	Dec 31, 2019	Reclassification	Use	Release	Additions	Currency-related effects	Dec 31, 2020
Partial retirement	897	0	-360	0	325	0	861
Anniversaries	283	0	-16	-13	21	0	276
Death grants	15	0	0	-1	0	0	13
Bonus program	0	0	0	0	318	0	318
	1,195	0	-376	-14	664	0	1,468
Accruals and short-term provisions							
Outstanding invoices	22,559	-2,103	-18,294	-498	12,894	-8	14,550
Project completion costs	7,542	0	-4,633	-1,913	8,893	-45	9,844
Restructuring	0	0	0	0	7,517	0	7,517
Vacation	5,974	-50	-6,200	-149	5,790	-13	5,352
Guarantees and warranties	3,452	0	-433	-516	2,116	-4	4,615
Flexitime	492	3,834	-4,117	0	2,885	0	3,093
Variable salary and commissions	3,127	55	-2,670	-66	2,000	0	2,446
Onerous and unfavourable contracts	659	14	-603	-6	2,047	-7	2,104
Legal disputes and damage compensation	0	2,097	-1,150	-52	666	0	1,561
Accounting and audit costs	823	-10	-591	-22	747	-1	947
Employers' liability insurance association	582	0	-456	-127	643	0	643
Staff costs	4,706	-3,839	-542	-88	353	0	590
Reduction in earnings	20	45	-63	-2	66	0	66
Bonus program	2,034	84	-2,034	-47	3	0	40
Other	877	-127	-337	-75	71	0	408
	52,847	0	-42,122	-3,560	46,690	-79	53,777
Total	54,042	0	-42,498	-3,574	47,354	-79	55,245

15.2 Current tax liabilities

Current tax liabilities break down as follows:

	Dec 31, 2021	Dec 31, 2020
	€k	€k
Corporate income tax	7,012	4,710
Trade income tax	5,927	7,057
Carrying amount as of Dec 31	12,939	11,767

16. Leases

As of the balance sheet date lease liabilities break down as follows:

Lease liabilities by asset type	Dec 31, 2021	Dec 31, 2020
	€k	€k
Land and buildings	5,136	4,036
Technical equipment and machinery	7,232	7,166
Other equipment, operating and office equipment	3,922	4,972
Total	16,289	16,174

Taking into account the contracts recognized as finance lease liabilities, total lease liabilities are as follows as of the end of the reporting period:

Lease liabilities by maturity	Dec 31, 2021	Dec 31, 2020
	€k	€k
Long-term	13,488	13,213
Short-term	8,452	9,449
Total	21,939	22,662

The following amounts were recognized in the consolidated statement of comprehensive income in connection with leases in 2021 and 2020 financial year:

Amounts recognized in the consolidated statement of comprehensive income	2021	2020
	€k	€k
Depreciation and amortization expense	8,180	9,245
thereof buildings	1,600	1,680
thereof technical equipment and machinery	4,024	4,938
thereof other equipment, operating and office equipment	2,556	2,627
Interest expense	267	318
Expenses for short-term leases	6,249	11,499
Expenses for low-value leasing objects	944	15
Total	15,640	21,077

The cash outflows for leases (including payments for short-term and low-value leases) amount to €17,879 thousand in total in the 2021 financial year (previous year: €21,276 thousand).

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €680.3 million in the 2021 financial year (previous year: €689.8 million). Revenue of €416.9 million (previous year: €445.6 million) relates to contracts with customers recognized over time.

Revenue development is discussed in the management report. Segment reporting for revenue is structured primarily by business segment and secondly by geographic segment.

2. Income from joint ventures and associates

	2021	2020
	€k	€k
Income from joint ventures and associates recognized in financial assets	7,498	10,563
Income from joint ventures and associates recognized in receivables and liabilities	-2,376	-12
Total	5,122	10,551

MBB Group's share in the cumulative profits of consortiums classified as joint ventures are reported under financial assets as Joint ventures and associates. The Group's revenue from deliveries and services to consortiums are recognized under revenue. The capital paid into a consortium, together with trade accounts receivable from the consortium after deduction of capital withdrawals and accumulated losses, is included in trade receivable or, if there is a net liability, in other liabilities.

3. Other operating income

	2021	2020
	€k	€k
Reversal of provisions	7,317	1,627
Securities	5,059	1,396
Own work capitalized	2,688	3,211
Settlement of benefits in kind	2,326	1,937
Rentals and leases	1,181	485
Refunds	1,041	1,906
Exchange rate gains	781	465
Sale of non-current assets	546	522
Subsidies and investment grants	403	275
Reversal of valuation allowances on receivables	319	229
Insurance and damage compensation	311	468
Relating to former periods	82	113
Dividend income	23	0
Other	2,186	3,087
Total	24,263	15,720

The income from the reversal of provisions is mainly driven by the reversal of restructuring provisions at Aumann (€4,696 thousand). The income from refunds and the income from subsidies and investment grants include grants related to income of €745 thousand (previous year: €1,743 thousand). They include reimbursements of social security contributions during short-time work in Germany in connection with the COVID-19 pandemic in the amount of €227 thousand and grants related to income in particular in the form of reimbursements in connection with other taxes and wages as well as subsidies in connection with the participation of group companies in research projects. There are no unfulfilled conditions or other contingencies associated with the grants.

4. Other operating expenses

	2021	2020
	€k	€k
Maintenance expenses	-14,089	-12,779
Rental agreements and leasing	-8,328	-11,513
Travel costs/vehicle costs	-5,811	-6,136
Legal and consulting	-3,741	-3,269
Other services	-3,078	-3,117
Insurance	-2,606	-2,331
Costs for telephone, post and data communication	-1,344	-1,295
Contributions and fees	-1,337	-1,370
Costs for training and apprenticeship	-1,206	-749
Write-offs and bad debt allowances on receivables	-1,045	-1,441
Other personnel-related expenses	-1,017	-920
Advertising costs	-713	-749
Office supplies	-553	-1,086
Incidental costs for monetary transactions	-535	-426
Foreign currency losses	-233	-1,134
Previous period expenses	-131	-64
Expenses from the disposal of non-current assets	-110	-92
Expenses from security transactions	-99	-371
Miscellaneous operating expenses	-6,291	-10,129
Total	-52,265	-58,973

5. Depreciation and amortization expense

	2021	2020
	€k	€k
Depreciation and amortization on intangible assets and property, plant and equipment	-35,635	-34,919
Impairment losses on property, plant and equipment	-40	-1,023
Release of revaluation reserves on joint ventures and associates	-1,219	-4,053
Total	-36,894	-39,996

6. Finance income

	2021	2020
	€k	€k
Other interest and similar income	97	390
Interest and similar income from securities transactions	15	46
Total	112	436

7. Finance costs

	2021	2020
	€k	€k
Bank interest	-1,859	-1,283
Bank guarantee commissions	-334	-389
Interest expense from leases	-267	-318
Interest expense from pensions	-144	-216
Other interest and similar expenses	-359	-1,660
Total	-2,963	-3,867

8. Taxes

Details on deferred tax assets and liabilities can be found under I.4.18 b) "Deferred taxes". In recognizing deferred taxes, the future local tax rate is applied. The income tax rate is 19% in Poland and 25% in China.

The reconciliation of income tax expense and the net profit multiplied by the Group's applicable tax rate for the 2021 and 2020 financial years is as follows:

	2021	2020
	€k	€k
Corporate income tax	-7,032	-6,540
Trade income tax	-8,069	-5,967
Deferred taxes	4,397	1,175
Total	-10,704	-11,332

	2021	2020
	€k	€k
Consolidated net profit before taxes and non-controlling interests	11,753	22,052
Income taxes	-10,704	-11,332
Current tax rate	91.1%	51.4%

	2021	2020
	€k	€k
Earnings before taxes (EBT)	12,975	23,362
Other taxes	-1,222	-1,310
Applicable (statutory) tax rate	30.0%	30.0%
Expected tax expense	3,526	6,615
Effects due to the change in unrecognized loss carryforwards	2,226	3,059
Effect from expenses not deductible for tax purposes	2,045	2,295
Tax effect from IPO of Friedrich Vorwerk Group SE	3,111	0
Effects from tax-exempt income	-914	-942
Taxes relating to other periods	-149	456
Effects due to deviations from the expected income tax rate	-5	-656
Other tax effects	864	503
Current tax expense	10,704	11,332

9. Earnings per share

Earnings per share are calculated by dividing the profit for the year attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the year.

In accordance with IAS 33.32, diluted earnings per share are calculated by adjusting net profit for dilutive effects and then dividing it by the number of ordinary shares outstanding, including dilutive effects.

The only dilutive effect in the 2021 financial year arose from the 2020 stock option program of MBB SE. For the calculation of diluted earnings per share, the staff costs incurred in the financial year in connection with MBB SE's stock option program 2020 were adjusted in the amount of €1,657.9 thousand (previous year: €653.7 thousand). In addition, 230,000 (previous year: 230,000) option rights issued were included in the weighted average number of ordinary shares.

	2021	2020
Profit attributable to holders of ordinary shares of the parent before adjustments (in € thousand)	-11,570	12,685
Weighted average number of ordinary shares used to calculate earnings per share (in thousand)	5,912	5,934
Earnings per ordinary share (in €) - basic	-1.96	2.14

	2021	2020
Profit attributable to holders of ordinary shares of the parent after adjustments (in € thousand)	-9,912	13,339
Weighted average number of ordinary shares used to calculate earnings per share - after diluting effects (in thousand)	6,142	6,133
Earnings per ordinary share (in €) - diluted	-1.61	2.18

IV. Segment reporting

1. Information by segment

Segment reporting was prepared using IFRS 8 (Operating Segments), under which operating segments are defined as the components of an entity for which discrete financial information is available and under which the segment's operating results are reviewed regularly by the segment's chief operating decision maker to allocate resources to the segment and assess its performance.

The composition of the business segments is unchanged compared to the previous year and is as follows as of the balance sheet date:

Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of Aumann, Delignit and OBO.

Consumer Goods

The Consumer Goods segment includes the subsidiaries whose products are predominantly used by private consumers. Accordingly, this segment contains the subsidiaries Hanke and CT Formpolster.

Service & Infrastructure

The Service & Infrastructure segment comprises the companies of DTS, which specialize in IT security and cloud services, and the companies of Friedrich Vorwerk, a leading provider in the field of pipeline and plant engineering for gas, power grid and hydrogen applications.

Segment results

The accounting policies applied in segment reporting are as described under I. 4. Segment earnings are based on the EBIT of the individual segments, as this is the basis on which the segments are managed. Transfer pricing between the operating segments is calculated on an arm's-length basis.

Segment figures - reporting period	Technological Applications €k	Consumer Goods €k	Service & Infrastructure €k	Reconciliation €k	Group €k
Revenue from third parties	249,762	71,832	358,736	0	680,329
Other segments	0	102	554	-657	0
Total revenue	249,762	71,934	359,290	-657	680,329
EBIT	-5,732	1,569	41,193	-18,028	19,003
Depreciation and amortization	-8,235	-4,144	-24,144	-372	-36,894
Investments	-5,963	-2,932	-30,839		
Segment assets	239,929	53,059	201,724		
Segment liabilities	104,542	13,352	90,349		

Segment figures - prior year	Technological Applications €k	Consumer Goods €k	Service & Infrastructure €k	Reconciliation €k	Group €k
Revenue from third parties	247,452	74,353	368,001	0	689,806
Other segments	0	78	427	-505	0
Total revenue	247,452	74,431	368,428	-505	689,806
EBIT	-18,281	6,526	43,364	-1,634	29,976
Depreciation and amortization	-9,617	-3,677	-26,364	-339	-39,996
Investments	-4,919	-5,207	-26,826		
Segment assets	236,756	52,581	159,154		
Segment liabilities	88,162	14,359	84,001		

Investments include payments for property, plant and equipment and intangible assets.

Segment assets do not include any deferred tax assets, current cash funds or financial assets. Segment liabilities do not include any deferred tax liabilities, current tax liabilities, lease liabilities, or liabilities to banks.

The income and expenses of the holding company not derived from transactions with subsidiaries are included in the reconciliation to Group EBIT. In particular, this includes income and expenses from securities and remuneration of holding company personnel.

Reconciliation of EBIT to consolidated net profit of the group	2021 €k	2020 €k
Total EBIT of the segments	37,031	31,610
Reconciliation to Group EBIT	-18,028	-1,634
Net finance costs	-6,028	-6,614
Earnings before taxes (EBT)	12,975	23,362
Income tax expense	-10,704	-11,332
Other taxes	-1,222	-1,310
Profit or loss for the period	1,049	10,720
Non-controlling interests	-12,619	1,965
Consolidated net profit	-11,570	12,685

Reconciliation of segment assets to assets of the group	2021 €k	2020 €k
Technological Applications segment	239,929	236,756
Consumer Goods segment	53,059	52,581
Service & Infrastructure segment	201,724	159,154
Total segment assets	494,713	448,491
Deferred tax assets	17,691	11,832
Cash in hand, bank balances and short-term financial assets	421,246	214,160
Financial assets	211,519	125,559
Other assets	7,152	2,625
Total assets	1,152,320	802,667

Reconciliation of segment liabilities to equity and liabilities of the group	2021	2020
	€k	€k
Technological Applications segment	104,542	88,162
Consumer Goods segment	13,352	14,359
Service & Infrastructure segment	90,349	84,001
Total segment liabilities	208,243	186,521
Equity	808,479	499,692
Deferred tax liabilities	24,067	20,811
Current tax liabilities	12,939	11,767
Liabilities to banks	66,000	54,935
Lease liabilities	21,939	22,662
Other equity and liabilities	10,653	6,278
Total equity and liabilities	1,152,320	802,667

2. Information by region

2.1 Revenue from external customers

	2021	2020
	€k	€k
Germany	480,122	¹
Europe	155,263	645,426
China	13,830	17,180
USMCA (former NAFTA) ²	23,148	14,416
Miscellaneous	7,965	12,784
Total	680,329	689,806

¹ The split of revenue from Germany and revenues from Europe was made for the first time in 2021. In the previous year, revenues from Germany were included in revenue from Europe.

² The USMCA region comprises Canada, Mexico and the United States of America.

2.2 Non-current assets

The MBB Group's non-current assets are predominantly located in Europe. The non-current assets of our subsidiaries in China and the US amount to €427 thousand (previous year: €287 thousand).

3. Information on main customers

No single customer contributed more than 10% of consolidated revenue in the 2021 and 2020 financial years.

V. Notes to the consolidated statement of cash flows

The statement of cash flows is presented separately. It shows the changes in cash and cash equivalents at the MBB Group. The reported cash funds are not subject to any third-party restrictions. The Group made no payments for extraordinary transactions. Payments for income taxes and interest are reported separately. The statement of cash flows was prepared in accordance with IAS 7 and breaks down the changes in cash and cash equivalents into cash flows from operating, investing and financing activities. Cash flow from operating activities is presented using the indirect method.

The following table shows the changes in liabilities from financing activities.

	Non-current liabilities to banks	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Total
	€k	€k	€k	€k	€k
Balance sheet as of Jan 1, 2020	47,297	22,128	12,068	8,863	
Proceeds	1,850	5,559	0	418	7,827
Repayments	-6,248	-12,335	-575	-8,870	-28,028

	Non-current liabilities to banks	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Total
Cash-effective changes	-4,398	-6,776	-575	-8,451	-20,201
Changes in exchange rates	-420	-341	-27	-114	-902
Reclassifications	-5,037	2,294	-3,921	6,664	0
Accrued interest	0	189	0	0	189
New leases	0	0	8,432	2,866	11,298
Derecognitions	0	0	-2,764	-379	-3,143
Non-cash changes	-5,457	2,143	1,720	9,038	7,443
Balance sheet as of Dec 31, 2020	37,441	17,495	13,213	9,449	
Proceeds	12,200	11,433	0	0	23,633
Repayments	-5,262	-9,483	-583	-9,837	-25,165
Cash-effective changes	6,938	1,950	-583	-9,837	-1,532
Changes in exchange rates	-19	-64	-5	0	-88
Reclassifications	-4,932	4,932	-5,109	5,109	0
Changes in the scope of consolidation	1,136	1,315	3,752	802	7,004
New leases	0	0	2,546	3,146	5,692
Derecognitions	0	-189	-326	-218	-733
Non-cash changes	-3,815	5,993	858	8,839	11,874
Balance sheet as of Dec 31, 2021	40,563	25,437	13,488	8,452	

VI. Additional disclosures on financial instruments

Financial instruments break down as follows as at the end of the reporting period:

€k	Classification according to IFRS 9*	Dec 31, 2021	
		Carrying amount	Fair value
Assets			
Long-term securities	FVTOCI	201,309	201,309
Trade receivables	AC	58,447	n/a
Securities (debt instruments)	FVTOCI	266	266
Derivatives without hedge relationship	FVTPL	52	52
Cash in hand, bank balances	AC	416,775	n/a
Liabilities			
Liabilities to banks	FLaC	66,000	67,849
Liabilities from participation rights	FLaC	10,213	17,451
Trade payables	FLaC	53,364	n/a
Liabilities to non-controlling interests	FLaC	6,301	n/a
Contingent considerations from put options	FVTPL	3,366	3,366
Derivatives without hedge relationship	FVTPL	16	16
Other financial liabilities	FLaC	3,479	n/a
Aggregated according to categorie			
Assets	AC	475,222	n/a
	FVTOCI	201,574	201,574
	FVTPL	52	52
Liabilities	FLaC	139,357	n/a
	FVTPL	3,382	3,382

€k	Classification according to IFRS 9*	Dec 31, 2020	
		Carrying amount	Fair value
Assets			
Long-term securities	FVTOCI	100,075	100,075
Long-term securities	FVTPL	15,931	15,931
Trade receivables	AC	64,312	n/a
Other financial assets	AC	1,468	n/a
Securities (debt instruments)	FVTOCI	452	452
Cash in hand, bank balances	AC	209,728	n/a
Liabilities			
Liabilities to banks	FLaC	54,935	56,591
Liabilities from participation rights	FLaC	10,213	15,903
Trade payables	FLaC	47,132	n/a
Liabilities to non-controlling interests	FLaC	7,605	n/a
Contingent considerations from put options	FVTPL	5,762	5,762
Derivatives without hedge relationship	FVTPL	18	18
Other financial liabilities	FLaC	2,459	n/a
Aggregated according to categorie			
Assets	AC	275,508	n/a
	FVTOCI	100,527	100,527
Liabilities	FVTPL	15,931	15,931
	FLaC	122,345	n/a
	FVTPL	5,780	5,780

* FVTPL: fair value through profit or loss; FVTOCI: fair value through other comprehensive income; AC: amortized cost; FLaC: financial liabilities at amortized cost

The fair value of financial instruments for which the carrying amount is a reasonable approximation of fair value is not disclosed separately.

Cash funds and trade receivables predominantly have short remaining terms. Their carrying amounts as at the end of the reporting period are therefore approximately their fair value. The fair values of securities at fair value are based on the market price quoted on an active market. Investments in equity instruments are predominantly measured at fair value through other comprehensive income. At the balance sheet date, there were only equity instruments measured at fair value through other comprehensive income. This reporting is based on strategic management decisions.

Trade payables and other financial liabilities are typically short-term; the amounts recognized are approximately the fair values. The fair value of the financial liabilities, liabilities from profit participation rights and contingent considerations from put options are recognized at the present value of the expected future cash flows. Discounting is based on market interest rates for the respective maturities and credit ratings.

The fair values for financial instruments reported at fair value in the statement of financial position were calculated as follows:

€k	Dec 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Long-term securities	201,309			201,309
Securities (debt instruments)	266			266
Total	201,574			201,574
Liabilities				
Contingent considerations from put options			3,366	3,366
Total			3,366	3,366

€k	Dec 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Long-term securities	116,005			116,005
Securities (debt instruments)	452			452
Total	116,457			116,457
Liabilities				
Contingent considerations from put options			5,762	5,762
Total			5,762	5,762

There were no changes between levels in either the current financial year or the previous financial year.

Contingent considerations from put option result from the acquisition of Internet Sicherheitslösungen GmbH, Bochum, and were recognized for the first time in the financial year 2019. Interest expenses of €40 thousand (previous year: €50 thousand) and income from remeasurement of the contingent consideration of €372 thousand (previous year: expense of €-828 thousand) were recognized in the financial year due to decrease in fair value.

The following table shows the measurement methods used to determine fair values.

Financial instrument	Valuation technique	Material, unobservable input factors
Securities	The fair value is based on the market price of equity and debt instruments as of December 31, 2021.	not applicable
Contingent considerations from put options	Discounted cash flows based on contractually fixed mechanisms	ISL's performance The fair value of contingent consideration liabilities would decrease if ISL's performance were lower'.

VII. Objectives and methods of financial risk management

1. Financial assets and liabilities

The Group's financial liabilities mainly include current and non-current liabilities to banks, liabilities from profit participation rights, current trade payables and other current and non-current liabilities. The Group's financial assets are essentially cash, securities and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €604,218 thousand in the year under review (previous year: €391,965 thousand). Business relationships are only entered into with creditworthy partners. Trade receivables relate to a number of customers in various industries and regions. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognized for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

Please see II.13 "Liabilities" and II.14 "Other liabilities" for details of the maturities of financial liabilities.

The measurement of the financial assets and liabilities of the MBB Group is described under I.4.10 Financial instruments – Initial recognition and subsequent measurement.

2. Capital risk management

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its financial goals while simultaneously optimizing its finance costs by way of financial flexibility. In this respect, the overall strategy is the same as in the previous year.

Management reviews the capital structure at least once every half-year. The cost of capital, the collateral provided, open lines of credit and available credit facilities are reviewed.

The capital structure in the year under review is as follows:

	Dec 31, 2021	Dec 31, 2020
Equity in €k	808,479	499,692
- in % of total capital	70.2%	62.3%
Liabilities in €k	343,841	302,974
- in % of total capital	29.8%	37.7%
Current liabilities in €k	218,394	181,974
- in % of total capital	19.0%	22.7%
Non-current liabilities in €k	125,447	121,001
- in % of total capital	10.9%	15.1%
Net gearing*	-0.7	-0.5

* Calculated as the ratio of liabilities to banks and lease liabilities less cash and cash equivalents, securities and physical gold in relation to equity.

The agreement of multiple financial covenants when borrowing loans means that the Group and individual subsidiaries are required to comply with certain equity ratios.

3. Financial risk management

Financial risk is monitored centrally by management. The individual financial risks are reviewed at least four times per year.

The material Group risks arising from financial instruments include liquidity risks and credit risks. Business relationships are only entered into with creditworthy partners.

Assessments from independent rating agencies, other financial information and trading records are used to assess creditworthiness, especially for major customers. In addition, receivables are monitored on an ongoing basis to ensure that the MBB Group is not exposed to major credit risks. The maximum default risk is limited to the respective carrying amounts of the assets reported in the statement of financial position.

Impairment on trade receivables and contract assets is determined using a the simplified approach.

The Group manages liquidity risks by holding appropriate reserves, monitoring and maintaining loan agreements and planning and coordinating cash inflows and outflows.

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the respective local currency, thereby largely avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The MBB Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Hedging by derivatives (e.g. interest rate swaps or forward interest rate transactions) is carried out in exceptional cases. The Group had liabilities with floating interest rates in the amount of €20,228 thousand as of the end of the reporting period (previous year: €26,850 thousand). Hedging transactions existed in the form of three interest rate swaps with a nominal volume of €5,201 thousand and two interest rate floors with a nominal volume of €4,500 thousand. If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €471 thousand lower (higher).

5. Price risk

The listed equity and debt instruments held by the Group are subject to the market price risk resulting from the uncertain future value development of these securities. The Group manages price risk through diversification and by limiting its investments in individual instruments. Group management is provided with regular reports on the portfolio. Company management examines and approves all decisions concerning investments in these instruments.

6. Liquidity risk

Liquidity risk describes the risk that the Group will be unable to meet its payment obligations on maturity. The high level of cash and cash equivalents means there is no liquidity risk from financial liabilities. Responsibility for liquidity risk management ultimately lies with Executive Management and the managing boards and managing directors of the subsidiaries, each of which has established an adequate concept for managing short-term and long-term financing and liquidity requirements. The Group and its subsidiaries manage liquidity risks by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and coordinating the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as of December 31, 2021 affect the future liquidity situation of the Group.

Dec 31, 2021	Carrying amount	Up to 1 year	More than 1 year and up to 5 years	Over 5 years
Type of liability	€k	€k	€k	€k
Liabilities to banks	66,000	26,237	33,573	8,695
Lease liabilities	21,939	8,810	13,558	360
Liabilities from participation rights	10,213	459	2,002	17,388
Trade payables	53,364	53,364	0	0
Liabilities to non-controlling interests	6,301	4,997	0	1,304
Contingent considerations from put options	3,366	0	3,470	0
Other financial liabilities	3,479	3,479	0	0
Total	164,663	97,347	52,603	27,747

Dec 31, 2020	Carrying amount	Up to 1 year	More than 1 year and up to 5 years	Over 5 years
Type of liability	€k	€k	€k	€k
Liabilities to banks	54,935	18,315	32,846	5,902
Lease liabilities	22,662	9,681	13,073	721
Liabilities from participation rights	10,213	351	1,779	15,311
Trade payables	47,132	47,132	0	0
Liabilities to non-controlling interests	7,605	4,971	3,150	0
Contingent considerations from put options	5,762	0	6,001	0
Other financial liabilities	2,459	2,459	0	0
Total	150,769	82,909	56,849	21,934

If the contract partner can call a payment at different points in time, the liability relates to the earliest possible maturity date. Interest payments of floating-rate financial instruments are calculated on the basis of forward interest rates. If interest is performance-based, the interest for the year under review is assumed unless better information is available. The cash flows of financial and lease liabilities consist of their undiscounted interest and principal payments.

VIII. Other mandatory information

1. Executive bodies

In line with the one-tier structure, MBB SE is represented by a Board and the Executive Management. In a one-tier system, management is not institutionally separate from monitoring, and instead both functions can be performed by the Board.

Board

- Dr Christof Nesemeier, business graduate, Chairman of the Board and Executive Chairman (Board member since March 9, 2015)
- Gert-Maria Freimuth, business graduate, Deputy Chairman, Chairman of Nomination Committee (Board member since March 9, 2015)
- Dr Peter Niggemann, lawyer, Board member (Board member since March 9, 2015)
- Anton Breitkopf, business management graduate, Chairman of the Audit Committee (Board member since July 18, 2018)

Dr Christof Nesemeier is the Chairman of the Supervisory Board of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE and a member of the Supervisory Board of Aumann AG and Delignit AG.

Gert-Maria Freimuth is the Chairman of the Supervisory Board of Aumann AG, Delignit AG and DTS IT AG. Until February 10, 2021, he was also the Deputy Chairman of the Supervisory Board of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE.

Anton Breitkopf is the Deputy Chairman of the Supervisory Board of DTS IT AG and Delignit AG. Until February 10, 2021, he was also member of the Supervisory Board of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE.

All previous members of the Board were reappointed by the Annual General Meeting on August 24, 2020 until the end of the Annual General Meeting that resolves on the approval of the actions of the respective board member for the financial year 2025, but no longer than until August 23, 2026.

Executive Management

- Dr Constantin Mang, economist, Chief Executive Officer (CEO)
- Dr Jakob Ammer, business economist, Chief Operating Officer (COO) since July 1, 2021
- Torben Teichler, business economist, Chief Investment Officer (CIO) since July 1, 2021
- Dr Christof Nesemeier, business graduate, Executive Chairman
- Klaus Seidel, business graduate, Chief Operating Officer (COO) until June 30, 2021

On the occasion of the Executive Directors' contracts expiring regularly on June 30, 2021, the Board has decided on changes in the Executive Management and Board, with effect from July 1, 2021. Dr Christof Nesemeier was appointed Executive Chairman (Chairman of the Board and Executive Director) and Gert-Maria Freimuth was appointed Deputy Chairman of the Board under the one-tier corporate constitution. Dr Constantin Mang was appointed as the new Chief Executive Officer of MBB SE. Appointed as Executive Directors were Dr Jakob Ammer as Chief Operating Officer and Torben Teichler as Chief Investment Officer.

Since July 1, 2021, Dr Constantin Mang as CEO (Chief Executive Officer) has been responsible for Strategy, Mergers & Acquisitions, Finance, Investor Relations and IT. Dr Jakob Ammer as COO (Chief Operating Officer) is responsible for the development of the investment portfolio and process optimization. As CIO (Chief Investment Officer), Torben Teichler is responsible for Investment, Treasury, Compliance and Legal.

Mr. Klaus Seidel has not renewed his contract, which expired on June 30, 2021, at his own request. He continues to be a member of the Supervisory Board of DTS IT AG.

Dr Constantin Mang is also a member of the Supervisory Board of DTS IT AG.

2. Remuneration components

Reference to the remuneration system and long-term corporate development

The remuneration of the Executive Directors and the Board of MBB SE is based on the remuneration system of MBB SE and is thus determined in accordance with the provisions of the German Stock Corporation Act, taking into account the German Corporate Governance Code (GCGC). The structure and appropriateness of the remuneration of the Executive Directors of MBB SE are regularly reviewed by the Board. In this context, the level of remuneration of Executive Directors, managing directors and employees within the MBB Group is also taken into account. Board members are not entitled to vote on decisions concerning the amount of their own remuneration.

The Board focuses on promoting the business strategy and long-term corporate development. In particular, the aim is to increase the value of the company and thus the value for shareholders in the long term. By linking the variable remuneration components to the development of the equity under commercial law, the development of the share price of MBB SE and stock exchange prices of equity securities held, a congruence is established between the interests and expectations of the shareholders and the remuneration of the Executive Directors. The Board has given a correspondingly high weighting to the proportion of multi-year remuneration components, which helps to ensure that the actions of the Executive Directors in the current financial year are also aligned with the long-term development of the company.

Remuneration components of the Executive Directors

The remuneration components of the remuneration system for the Executive Directors of MBB SE comprise:

Fixed remuneration components

- Basic salary
- Fringe benefits

Variable remuneration components

- Annual variable remuneration
- Share-based long-term incentive program with a term of several years (LTIP)

According to the underlying compensation system, MBB SE does not provide for the possibility of reclaiming annual variable compensation components. During the vesting period of the share-based long-term

incentive program, any claims that MBB SE may have against employees due to gross breach of duty may be offset against the claims arising from the stock option program.

Basic salary and fringe benefits

The basic salary comprises annually fixed remuneration paid in twelve equal installments monthly in arrears and includes amounts subject to social security contributions, unless the Executive Director is exempt from social security contributions. Non-cash compensation includes the use of a company car.

The Executive Directors are also included in the Group accident insurance and the Groupwide directors and officers liability insurance (D&O insurance).

Annual variable remuneration

The annual variable remuneration of the Executive Directors depends on the increase in equity of MBB SE. The basis of assessment is a percentage of the amount by which the equity of MBB SE at the end of each financial year exceeds the equity at the beginning of the financial year. The equity comprises in each case the items of Section 266 para. 3 A. of the German Commercial Code (HGB). The basis of the calculation are the audited financial statements, whereby the equity is calculated with certain modifications. For example, assets that have a stock market price are recognized at the stock market price and sales of assets in which MBB SE holds more than 5% are only taken into account in defined individual cases.

If the assessment base is negative in one or more financial years, the resulting negative amount is carried forward to the following financial years and offset against the future additional amounts until the negative amounts carried forward are balanced.

The distribution rate is contractually determined for each individual member of the Executive Management based on the compensation system, duties, responsibilities, performance and length of employment. The entitlement to and amount of variable remuneration is determined by the Board at its reasonable discretion, at the first Board meeting following the end of the financial year.

The Board may set additional incentives for proceeds from sales of non-listed investments or re-placements in the context of IPOs at companies in which MBB SE holds more than 5%. This was done, for example, in the context of the IPO of Friedrich Vorwerk Group SE, in connection with which the Executive Directors received a bonus totaling €13,309,325.11 in financial year 2021 and may receive a further €2,499,808.47 in total within the following fiscal year. This special bonus reflects the increase in equity of MBB SE of €185,170,112.23, which is attributable in particular to the IPO of Friedrich Vorwerk Group SE. For the financial year 2021, this special bonus also covers the annual variable remuneration, so that the annual variable remuneration described above will apply again in 2022.

Share-based long-term incentive program with multi-year term (LTIP)

The business model of MBB SE is essentially based on the commitment of qualified, dedicated managers, who are to receive a long-term incentive with these models on the one hand to increase the value of MBB permanently and sustainably and on the other hand to remain connected to the company in the long term. In 2020, MBB SE launched an equity-based stock option program 2020, which ends on August 26, 2024.

By resolution dated 24 August 2020, the Annual General Meeting authorized the Board to grant up to 240,000 no-par value bearer shares of the company to beneficiaries with subscription rights in accordance with section 192 (2) no. 3 of the AktG until June 30, 2025.

The option program is based on the performance of the MBB SE share price within the term of the stock option program. The amount at which stock option rights issued can be exercised is determined using a price-criteria model.

The stock option program 2020 is composed of a criterion A (exceeding of price thresholds) and a criterion B (average price achieved). Each criterion determines a percentage exercisability related to the issued stock option rights.

Criterion A is based on the achievement of a price threshold. The respective threshold is deemed to be met if this value is reached or exceeded within the term of the stock option program on 90 XETRA trading days (not necessarily consecutively and as a moving average based on the respective daily closing price) and a total of at least 90,000 shares were traded on XETRA during this period. The following price thresholds apply:

Price threshold	Cumulative percentage vesting of issued stock option rights
EUR 77.00	1.8%
EUR 88.00	4.9%
EUR 99.00	9.0%
EUR 111.00	14.4%
EUR 122.00	21.0%
EUR 133.00	28.8%
EUR 144.00	37.8%
EUR 155.00	48.0%
EUR 166.00	60.0%

At the end of the stock option program, criterion B evaluates the average price achieved with its increase measured against the target. The target is an average price at the end of the vesting period of €110.00, which results in a price increase of €50.00 on the exercise price of €60.00 as a further target value.

The arithmetical results of both criteria are added together, whereby the maximum exercisability of the issued stock options is limited to 100%.

The tax burden arising for each employee from the monetary advantage of the exercised stock option rights borne by MBB SE.

The absolute maximum amount per beneficiary for exercisable stock option rights is €199.00 less the exercise price per share, then multiplied by the total number of stock option rights allocated to the beneficiary in each case. Insofar as the prerequisites for exercising the option rights are met, they may in particular only be exercised if the beneficiary has been employed by MBB SE for twelve months without interruption or termination and the waiting period of four years plus one working day commencing on the day of issue has expired. Furthermore, exercise is only possible if the Board has determined the exercisability, the total amount of the exercisable stock option rights and the exercise price by resolution.

If a beneficiary leaves the company before the end of the term of the program, the allocation to the capital reserve and provision ends on his or her leaving date from the company. Termination of employment during the term has a reducing effect on the amount of exercisable stock option rights.

The subscription rights were valued using a Monte Carlo simulation taking into account the absolute performance targets. The following parameters were included in the valuation of the subscription rights:

Parameter	
Valuation date	August 24, 2020
Exercise price	€60.00
Share price	€72.40
Risk-free interest rate	-0.73%
Dividend yield	1.32%
Expected volatility	41.84%
Term	4.1 years
Fair value	€16.57

The estimates for the expected volatility were derived from the historical share price development of MBB SE. The remaining term of the option rights was used as the time slot.

A total of 230,000 subscription rights were granted from the stock option program as at the reporting date.

Remuneration components of the Board

The remuneration of the Board is based on the remuneration system of MBB SE and refers to the recommendations and suggestions of the German Corporate Governance Code.

The remuneration components of the remuneration system comprise for the Board members of MBB SE:

Fixed remuneration components

- Attendance fees
- Supervisory Board remuneration in MBB Group
- Consulting services

Attendance fees

Under the remuneration system currently in place, each member of the Board receives fixed compensation per meeting, which amounts to €5,000.00 plus any value-added tax. The Chairman of the Board receives three times this amount and the Deputy Chairman one and a half times this amount, in each case plus any value-added tax.

Remuneration of the Supervisory Board in MBB Group

Some of the members of the Board of MBB SE receive additional remuneration from their activities as supervisory board members of subsidiaries of MBB SE, which are listed under the chapter "Executive bodies".

Supervisory Board remuneration for intragroup mandates is offset against the remuneration from the capacity as Executive Director in accordance with the requirements of the German Corporate Governance Code. This applies to all new employment contracts of Executive Directors concluded from July 1, 2021.

Consulting services

There are consulting agreements with Gert-Maria Freimuth and Anton Breitkopf for specific individual projects that go beyond the scope that is owed anyway due to their position as Board members. Mr Gert-Maria Freimuth receives a daily rate of €2.0 thousand with an annual budget of €140.0 thousand, Mr Anton Breitkopf receives a daily rate of €1.5 thousand with an annual budget of €150 thousand.

Fringe benefits

The Board is included in the Group-wide directors' and officers' liability insurance (D&O insurance).

3. Remuneration of the executive bodies

Equity-based stock option program 2020

The equity-based options from the 2020 stock option program were measured once at the time of issue and the pro rata fair value attributable to the financial year 2021 was recognized in staff costs and in the capital reserve in the amount of €846.6 thousand (previous year: €336.0 thousand). To offset the tax expense, the corresponding provision was increased by €811.3 thousand in financial year 2021 (previous year: €317.7 thousand).

The number of options issued and the provision for the taxation of non-cash benefits developed as follows in the current financial year:

Options from stock option program 2020	Stock options granted		Provision for tax reimbursement		
	Jan 1, 2021	Dec 31, 2021	Jan 1, 2021	Additions	Dec 31, 2021
	Units	Units	€k	€k	€k
Dr Christof Nesemeier	100,000	100,000	132,059	373,654	505,713
Dr Constantin Mang	50,000	50,000	77,649	219,706	297,355
Klaus Seidel	50,000	50,000	66,029	92,646	158,675
Dr Jakob Ammer	10,000	10,000	15,530	43,941	59,471
Torben Teichler	10,000	10,000	13,206	37,365	50,571
Team	10,000	10,000	13,206	43,941	57,147
Total	230,000	230,000	317,679	811,254	1,128,933

The addition to capital reserve and provision for the stock option rights granted to Klaus Seidel ended upon his resignation on June 30, 2021. His early resignation will have a reducing effect on the number of exercisable option rights at the exercise date.

Remuneration of Executive bodies

The following table shows the total remuneration of the Executive Directors and the Board for the past financial year and for the previous year in accordance with Section 285 No. 9 of the German Commercial Code (HGB). For further details reference is made to the remuneration report, published separately in accordance with Section 162 of the Stock Corporation Act (AktG).

Remuneration	2021	2020
Executive Management	12,626	2,702
The Board	383	880

In the previous year, 200,000 stock options with a present value of €3,314,000.00 were granted to the Executive Directors.

4. Related party transactions

Parties are considered to be related if they have the ability to control the MBB Group or exercise significant influence over its financial and operating decisions.

4.1 Related persons

MBB SE also reports on transactions with related parties and their relatives in accordance with IAS 24. Executive Management, the Board and their relatives were identified as related parties as defined by IAS 24. There were no business transactions with relatives in either the financial year or the previous year.

The remuneration of management in key positions to be disclosed in accordance with IAS 24 comprises the remuneration of active members of Executive Management and the Board.

Their remuneration was as follows:

	2021	2020
	€k	€k
Salaries and other short-term benefits	13,009	1,040
Share-based payments	0	2,516
Total	13,009	3,556

Executive Management and Board

Please refer to the information on the remuneration paid as presented in the remuneration report of MBB SE. Other than the remuneration mentioned above, the members of the executive bodies have not entered into any other transactions with the MBB Group.

Notification of transactions involving shares of MBB SE

Persons with management duties, especially the members of Executive Management and the Board of MBB SE, and their related parties are required to disclose their transactions involving shares of MBB SE or related financial instruments. Notifications of relevant transactions are published on our website at <https://www.mbb.com/investor-relations/corporate-governance.html>.

4.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry. Related companies are also considered to be those companies described as associated with the above related persons. Group companies performed the following transactions with related parties that do not belong to the Group over the course of the year:

MBB SE pays Mr Gert-Maria Freimuth for his consulting activities through MBB Capital GmbH, Münster. Consulting services provided by Mr Anton Breitkopf are billed to Tolea GmbH, Cologne.

Please refer to notes II.5 (Consortium disclosures), II.7 (Trade receivables) and II.14 (Other liabilities) for further information on relations to consortiums.

5. Employees

The number of employees in the 2021 financial year and in the previous year breaks down as follows:

	2021	2020
Average number of employees	Headcount	Headcount
Technological Applications segment	1,288	1,467
Consumer Goods segment	440	480
Service & Infrastructure segment	1,694	1,534
Total	3,422	3,481

	Dec 31, 2021	Dec 31, 2020
As of the reporting date	Headcount	Headcount
Technological Applications segment	1,200	1,411
Consumer Goods segment	426	474
Service & Infrastructure segment	1,915	1,572
Total	3,541	3,457

MBB Group has 263 (previous year: 245) trainees as of December 31, 2021 who are not included in the above figures.

6. Auditor's fees

The auditor's fees recognized in the 2021 financial year break down as follows:

	2021	2020
	€k	€k
Audit services	487	440
Tax consulting services	0	0
Other assurance services	70	0
Other services	0	0
Total	557	440

The other assurance services relate to other confirmation services in connection with the IPO of Friedrich Vorwerk Group SE.

7. Contingent liabilities and off-balance sheet transactions

In the construction industry and in plant engineering, it is normal and necessary to issue various guarantees to secure contractual obligations. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilized, the banks have claims for recourse against the Group. There is only a risk of a guarantee being utilized if the underlying contractual obligations are not properly fulfilled. Such guarantees have not given rise to claims against the Group either in the financial year or in the past.

Obligations and probable risks under such guarantees are recognized in the statement of financial position as liabilities or provisions.

Furthermore, as is customary within the industry, there is joint and several liability with other partners for consortiums in which interests are held by companies in which the MBB Group holds investments.

8. Other financial obligations

Other financial obligations mainly relate to obligations from purchases and lease obligations that have not been accounted for as a right of use asset and lease liability according to IFRS 16. As of December 31, 2021 their terms break down as follows:

Other financial obligations	Dec 31, 2021	Dec 31, 2020
	€k	€k
Up to one year	5,959	2,999
More than one year and up to five years	1,073	2,191
Over five years	30	157
Total	7,062	5,347

9. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, MBB SE is required to submit a declaration on the extent to which the recommendations contained in the Corporate Governance Code of the German Government Commission have been complied with. The Board submitted the latest version of this declaration on March 31, 2022. It is published online at www.mbb.com.

10. Events after the end of the reporting period

The invasion of Ukraine by Russian troops has the potential to significantly shatter the global economy's recovery from the COVID-19 pandemic. The consequences for the global financial markets, international supply chains, and economic life in Germany and to MBB SE cannot be foreseen at present due to the highly dynamic nature of the current situation. In the Combined Management Report and Group Management Report, reference has been made at appropriate points to possible consequences and risks, without these comments claiming to be able to provide a complete picture of the situation and its effects at this point in time.

MBB SE resolved on February 21, 2022 to make use of the authorization granted by the Annual General Meeting on May 28, 2019 to acquire treasury shares in accordance with Section 71 (1) no. 8 AktG. As from February 23, 2022 the company intends to purchase treasury shares with a maximum volume of €6.0 million via the stock exchange. The share buyback program is to end no later than April 30, 2022.

Berlin, March 31, 2022

The Executive Management of MBB SE

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer
man

Dr Christof Nesemeier
Executive *Chair-*

Responsibility statement

To the best of our knowledge, and in accordance with the generally accepted principles of proper Group financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, March 31, 2022

The Executive Management of MBB SE

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer

Dr Christof Nesemeier
Executive Chairman

Independent Auditor's Report

To the MBB SE, Berlin, Germany

Report on the audit of the consolidated financial statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of MBB SE and its Subsidiaries (the Group) – consisting of consolidated statement of financial position as of December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from January 1, 2021 to December 31, 2021, and the notes to the consolidated financial statements, including a summary of the significant accounting policies. Furthermore, we have audited the Group management report of MBB SE for the financial year from January 1, 2021 to December 31, 2021, which is combined with the management report of the company. In accordance with German legal requirements, we have not audited the content of those part listed in “Other Information” section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e (1) of the Handelsgesetzbuch (HGB) and give a true and fair view of the net assets and financial position of the Group as of December 31, 2021 and of its results of operations for the financial year from January 1, 2021 to December 31, 2021 in compliance with these provisions, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of those parts of the Group management report listed in the “Other Information” section of our auditor's report.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter “EU-APrVO”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor's report. We are independent of the Group Entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) of the EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those that, based on our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the forming our opinion thereon; we have not issued a separate opinion on these matters.

In our view, the following key audit matters were most significant:

- Goodwill impairment

- Revenue recognition from construction contracts

We have structured our presentation of these key audit matters as follows:

1. Matter and problem definition
2. Audit approach and findings
3. Reference to further information

The key audit matters are presented below:

Goodwill impairment

1. Goodwill of €46.1 million is reported under the statement of financial position item "Intangible assets" in the consolidated financial statements of MBB SE. The company allocates the goodwill to the relevant groups of cash-generating units. The company tests goodwill for impairment annually as at the end of the reporting period or on an ad hoc basis. This is done by comparing the calculated value in use to the carrying amount of the corresponding group of cash-generating units. These values are usually based on the present value of the future cash flows of the cash-generating unit to which the respective goodwill has been allocated. The values are calculated using forecasts for the individual cash-generating units based on the financial planning approved by management. Discounting is performed using the weighted average cost of capital of the respective cash-generating unit. The result of this is largely dependent on the estimate of future cash inflows by the company's officers and the discount rate used, and is therefore subject to considerable uncertainty, hence this is a key audit matter.
2. To address this risk, we critically examined the assumptions and estimates by management, and performed audit procedures including the following:
 - As part of our audit procedures, we obtained an understanding of the company's process for impairment test and we verified the methodological procedure for performing the impairment tests.
 - We satisfied ourselves that the future underlying cash flows and discount rates used in measurement form an appropriate basis for the impairment testing of the individual cash-generating units.
 - In our assessment, we used comparisons against general and industry-specific market expectations and extensive information from management on the key value drivers in planning, and we compared this information against the current budget in the planning approved by the Board.
 - Knowing that even relatively small changes in the discount rate can have a material impact on the value in use calculated thus, we examined the parameters used to determine the discount rate applied, including the weighted average cost of capital, and verified the company's calculation scheme.
 - Furthermore, we conducted our own additional sensitivity analysis to be able to estimate a possible impairment risk in the event of a possible change in a key measurement assumption. The selection was based on qualitative aspects and the amount by which the respective carrying amount is exceeded by the value in use.

We found that the respective goodwill and, in general, the total carrying amounts of the relevant groups of cash-generating units as at the end of the reporting period are covered by the discounted future cash flows.

3. The information provided by the company on goodwill can be found in notes I.4.5 and II.2. to the consolidated financial statements.

Revenue recognition from construction contracts

1. A significant portion of the Group's business activities takes the form of production and construction contracts. Revenue recognition in accordance with IFRS 15 is dependent on the fulfilment of the performance obligation and must be assessed on the basis of the underlying contracts. Given the complexity of revenue recognition, revenue recognition is an area with a significant risk of material misstatement (including the potential risk of managers bypassing controls) and is therefore a key audit matter. Of the revenue, €416.9 million relates to period-related contracts with customers in 2021. €119.2 million in contract assets and €34.4 million in contract liabilities from production and construction contracts are recognized as of December 31, 2021.
2. To address this risk, we critically examined the assumptions and estimates by management, and performed audit procedures including the following:
 - In the context of our audit, we reviewed the company's internal methods, procedures and project management control mechanisms in the bidding and performance phase of production and construction contracts. We also assessed the design and effectiveness of accounting-related internal controls by tracking business transactions specific to contract manufacturing, from the time they arise to their presentation in the consolidated financial statements, and by testing controls.

- Using samples selected on a risk-oriented basis, we assessed the estimates and assumptions made by the company's officers in the context of individual audits. Our audit procedures also included a review of the contractual basis and contractual conditions, including contractually agreed regulations on partial delivery of goods and services, termination rights, default and contractual penalties and damages. For the selected projects, in order to assess the calculation of revenue on an accrual basis, we also examined the revenue billable as at the end of the reporting period and the associated costs of sales recognized in profit or loss in line with the percentage of completion and reviewed the accounting of the related balance sheet items.
- Furthermore, we questioned project management (both commercial and technical project managers) on the development of projects, the reasons for discrepancies between planned costs and actual costs, the current assessment of the costs expected to be incurred by the time of completion and the assessments of the company's officers of potential contract risks.

Our audit procedures did not give rise to any objections regarding revenue recognition from production and construction contracts.

3. The information provided by the company on the accounting methods used for accounting for production and construction contracts can be found in notes I.4.13, I.4.17, II.7, II.8 and III.8 to the consolidated financial statements.

Other information

The legal representatives are responsible for other information. The other information comprises:

- the group declaration on corporate governance,
- the consolidated non-financial statement,
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and Group management report and our audit opinion,
- the assurance in accordance with section 297 (2) sentence 4 of the HGB for the consolidated financial statements and the assurance in accordance with section 315 (1) sentence 5 of the HGB for the Group management report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we do not express any audit opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and consider whether the other information

- contains material inconsistencies with the consolidated financial statements, the Group Management Report or our findings from the audit; or
- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS, as adopted by the EU, and the additional requirements of German law pursuant to section 315e (1) HGB and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives as executive directors are responsible for the preparation of the Group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with

the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU-APrVO and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence for the accounting information of the Companies or business activities within the Group to express audit opinions on the consolidated financial statements and the Group management report. We are responsible for the direction, monitoring, and performance of the group audit. We are solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assump-

tions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control system that we identify during our audit.

We make a declaration to those charged with governance, that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

From the matters that we have discussed with those charged with governance, we have identified those matters that were most significant in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

Other legal and regulatory requirements

Assurance report in Accordance with sec. 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with sec. 317 (3a) HGB to obtain reasonable assurance about whether reproduction of the consolidated financial statements and the Group management report (hereinafter "ESEF documents") contained in the attached electronic file "MBB_SE_IFRS_2020" and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format ("ESEF-Format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither the information contained within the reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format. We do not express an opinion on the information contained in this reproduction nor any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financials year from January 1 through December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with sec. 317 (3a) HGB and the IDW auditing standard: Audit of the electronic reproductions of annual financial statements and management reports created for disclosure purposes in accordance with Section 317 para. 3a HGB (IDW PS 410). Accordingly, our responsibilities are further described in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF-Documents" section. Our audit firm has applied the IDW Standard for Quality Management in the Audit Firm (IWD QS 1).

Responsibilities of Executive Directors and the Board for the ESEF-Documents

The executive directors of the company are responsible for the preparation of the ESEF-documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with sec. 328 (1) sentence 4 No. 1 HGB and the tagging of the consolidated financial statements in accordance with sec. 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF-Documents free from material non-compliance with the requirements of sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The board is responsible for overseeing the process of preparation of the ESEF-Documents as part of the financial reporting process.

Group Auditor's responsibilities for the assurance engagement on the ESEF-Documents

Our objective is to obtain reasonable insurance about whether the ESEF-Documents are free from material non-compliance with the requirements of sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal control relevant to the assurance engagement on the ESEF-Documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF-Documents, i.e. whether this file meets the electronic requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF-Documents enables a HTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF-Documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information according to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on June 8, 2021. We were engaged by the Board on December 30, 2021. As the auditor of the consolidated financial statements, we have audited the consolidated financial statements as of December 31, 2021 and the Group management report for the 2021 financial year to be legally obligatory prepared and audited. We have been the auditors of the consolidated financial statements of MBB SE without interruption since fiscal year 2017.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Board in accordance with Article 11 of the EU Audit Regulation (audit report).

Other matter - use of the auditor's report

Our auditor's report must always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format - including the versions to be published in the Bundesanzeiger [German Federal Gazette] - are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available electronic form.

Responsible Auditor

The auditor responsible for the audit is Rainer Grote.

Düsseldorf, March 31, 2022

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Grabs Grote
Wirtschaftsprüfer Wirtschaftsprüfer

Financial calendar

Quarterly Report Q1 2022

May 13, 2022

Quirin Champions 2022

June 1, 2022

Annual General Meeting 2022

June 10, 2022

Half-year financial report 2022

August 12, 2022

Berenberg and Goldman Sachs German Corporate Conference

September 20, 2022

Quarterly Report Q3 2022

November 11, 2022

Deutsches Eigenkapitalforum

November 28 – 30, 2022

End of Fiscal Year

December 31, 2022

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